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INTRODUCTION

The National spotlight appears destined to remain on agricultural and food policy issues a while longer even though the arena of policy dialogue and action continually shifts. Public policy seems always rooted in the economic situation of the moment and that situation currently surrounding agriculture is neither stable nor certain. While the spotlight previously danced around the shaping of the Food Security Act of 1985 for over two years, it has been subsequently trained on implementation of the policy, the unfolding economic trends, and now on the possible reopening of the policy debate with the convening of the 100th Congress.

Trade has been a major focus in increasing attention of professional and lay leaders alike in recent years. Therein has been harbored the strongest hopes for a turn around in the fortunes of the agricultural sector, and trade was a major impetus for the lowering of price supports in the 1985 Act. While waiting for those trade trends to change, initiatives have been underway toward trade improvement through negotiations for reductions in trade barriers. One arena of such trade discussions is between two prominent world traders in agricultural products, the U.S. and Canada.

In this issue a special section of three papers (with different approaches and perspectives) examine the free trade issue between these close neighbors. They explore the background trends of this trade, its unique institutional setting in each country, the economic underpinnings, expected consequences of freer trade policies, and the prospects of negotiation. Their findings should be of interest to policy makers, agricultural leaders, and reseachers. In addition, we have included the results of a survey of North Dakota farmers' views on financial assistance.

Policy Research Notes is a cooperative effort of the Illinois Agricultural Experiment Station and USDA-ERS. _Notes_ are prepared by R. G. F. Spitze, Department of Agricultural Economics, 1301 West Gregory Drive, University of Illinois, Urbana, Illinois 61801, and Tom Fulton, Food and Agricultural Policy Branch, ERS, 1301 New York Ave., N.W., Washington, D.C. 20005-4788.

ANNOUNCEMENTS

Next NPPEC Conference Scheduled

The 37th Annual National Public Policy Education Conference has been set for September 14-17, 1987, Shamut Inn, Keenebunkport, Maine. For further information or input into the program development, contact Barry Flinchbaugh, NPPEC Committee and Program Chair, Department of Economics, Kansas State University, Manhattan, KS 66506.

Winter Extension School Scheduled

The long standing Winter Extension School for extension specialists and agents in all disciplines of public policy education will again be held January 12-30, 1987, on the University of Arizona campus.

Inquire about the content and operation of the class from the instructor, Verne W. House, Montana State University (406/994-3511), or about available fellowships, from Jim Chamie, College of Agriculture, Forbes 301, University of Arizona, Tucson, AZ 85721 (602/621-1037).

Work Continues on Project: Education for Public Decisions

Public policy specialists from several regions are continuing their development of an inservice education module being prepared for public policy(first reported in PRN, December, 1985). It is part of a comprehensive project supported by the Kellogg Foundation. Draft materials have now been prepared and reviewed, with publication scheduled for early 1987. An issue about which more refinement is still needed relates to the question, "Are the best models for teaching in the adult extension arena the same as those preferred for teaching public policy in a classroom setting?"

Inquire about this phase of the project from Verne W. House, 210 Linfield Hall, Montana State University, Bozeman, MT 59717 (406/994-3511).

North Central Policy Research Group Update

The technical committee for the terminating regional policy project, NC-169, met September 22-23, 1986, in Chicago, to complete its work and plan for the future. Along with the numerous state publication, two regional policy research bulletins have been published under this project, U.S. Farmers' Views on Agricultural and Food Policy - A Seventeen State Composite Report, North Central Regional Publication No. 300, and Consumer Demand and Welfare: Implications for Food and Agricultural Policy, North Central Regional Research Bulletin. Another is being finalized focusing on studies of the national grain services programs.

A continuing north central policy effort will be continued with a proposed NCR Committee under the title, "Economic Consequences of Alternative Food and Agricultural Policies".

Inquire about this effort from Marshall Martin (Purdue University), Bob Spitze (University of Illinois), and Willie Meyers (Iowa State University).

Center Established to Study Foreign Markets at Washington State University

An IMPACT Center has been established at Washington State University to generate better information on the demographic, social, cultural and economic factors influencing foreign purchases of U.S. agricultural products. Several reports have already been issued (see publications available section).

Inquire about this center and availability of future publications from its director, A. Desmond O'Rourke, IMPACT Center, Washington State University, Pullman, WA 99164-6210.

Conference To Be Held on Agriculture, Food, and Human Values

Papers are being solicited for an Interdisciplinary Conference to be held on Agriculture, Food and Human Values: Tradition and Change. Those selected will be presented for the newly formed Society for Agriculture and Human Values at an inaugural conference to be held in Orlando on October 7-10, 1987. The Society and conference will provide a new professional forum for interdisciplinary research into the relationships between agriculture, society, and values. The conference will include organizational meetings and plenary, concurrent and poster sessions.

Papers should have an interdisciplinary appeal addressing the connections between agricultural, social, and humanist concerns and issues. Suggested topical areas include (but are not restricted to): The Ethics of Resource Use and Exploitation; One Hundred Years of Research: Looking Backward and Forward at the Hatch Act; Images of Agriculture: Tradition and Change; Agriculture, Technology, and Technology Transfer; Nutrition and Agriculture in Conflict; and The Cultural Bases for Technology Adoption.

Inquire about this new effort and conference from Charles Reagan, Philosophy Department, Kansas State University, or Richard Haynes, Humanities & Agriculture Program, 240 ASB, University of Florida, Gainesville, FL 32610, and submit proposals with a deadline of May 1, 1987 to Barry Michie, Chairman of the Program Committee, Department of Philosophy, Kansas State University, Manhattan, KS 66506 or Jeffrey Burkhardt, Department of Philosophy, University of Florida, Gainesville, FL 32610.

Policy Symposium at February AAAS

The Food Security Act of 1985 - Implications for Agriculture, the Economy, and Research will be the theme of a symposium at the annual meetings of the American Association for the Advancement of Science, February 16, 1987, in Chicago. Presentations and discussion will deal specifically with the implications for the farming sector, consumers, agricutural credit, the business community, and agricultural and food policy research. Co-sponsors of this session include the AAAS sections on Agriculture, on Social and Economic Science, and on Science - Engineering - Public Policy. Participants are Jim Hildreth, Stan Johnson, Joyce Allen, Bruce Bullock, Joe Arata, and Bob Spitze.

Inquire about this symposium from the AAAS meetings office in Washington, D.C. or Bob Spitze, Department of Agricultural Economics, University of Illinois, Urbana, IL 61801.

POLICY RESEARCH NEWS NOTES

Analysis of Consequences of the 1985 Act

This research focuses on the long-term implications of the Food Security Act of 1985. The major thrust of that Act is to maintain farm income while removing the U.S. government from the role of supporting world prices above equilibrium levels. In the short run, this approach increases government costs substantially as U.S. and world market prices fall. In the long run, policymakers hope that this pricing strategy will strengthen U.S. export growth at the expense of other suppliers and move U.S. agriculture to a position requiring less federal assistance to maintain farm income. The objective of this work is to try to answer the questions, "How long and costly will this be?"

Inquire about this research and request a copy of a report of its results, The Food Security Act of 1985: A Ten-Year Perspective, FAPRI Staff Report #2-86, June 1986, from Abner W. Womack, Food and Agricultural Policy Research Institute (FAPRI) and Center for National Food and Agricultural Policy (CNFAP), University of Missouri, Department of Agricultural Economics, Columbia, MO 65211.

Policy Options for Possible 1987 Policy

Five farm bill options under two macroeconomic scenarios are being analyzed in the event new farm legislation is considered in 1987. Options range from targeting benefits to farms in the greatest financial need to mandatory controls. A combination of COMGEM and FLIPSIM are being used in the analysis.

Inquire about this analysis from James R. Richardson or Ronald D. Knutson, Department of Agricultural Economics, Texas A & M University, College Station, TX 77840.

Analysis of the Marketing Loan Provision of the 1985 Act

A new policy instrument of the Food Security Act of 1985, signed into law on December 23, 1985, is the marketing loan which allows participants to repay crop loans at the market price when it is lower than the loan. This provision is currently mandated for cotton and rice and is available at the Secretary's discretion for other crops including soybeans. This research report examines the implications of moving the U.S. soybean sector into this arena in the 1986 through 1990/91 crop years.

Inquire about this research and request a copy of a report of its results, Marketing Loan Options for the U.S. Soybean Industry: Economic Evaluation Through 1990-1991, July 1986, FAPRI, from Abner W. Womack, Food and Agricultural Policy Research Institute (FAPRI) and Center for National Food and Agricultural Policy (CNFAP), Department of Agricultural Economics, University of Missouri, Columbia, MO 65211.

Food Stamp Employment & Training Resource Guide Produced

This research effort involves producing a Resource Guide. Its purpose is to assist those who are responsible for designating state food stamp employment and training programs mandated under the Food Security Act of 1985. The Guide contains background materials on the law and the food stamp program, findings from research on employment and training programs, and new strategies developed by a group of research experts and state administrators especially for this report.

Inquire about this effort and order a copy of the publication, Food Stamp Employment & Training -- Resource Guide (charge of $15.00 per copy), from Kathryn L. Hill, Administrative Director, Center on Budget and Policy Priorities, 236 Massachusetts Ave., N.E., Suite 305, Washington, D.C. 20002.

Alberta Pork Producers Marketing Board Studies

For several years the development and operation of the Alberta Pork Producers Marketing Board has been the subject of a series of updated studies. These have been widely utilized and of interest to all students of marketing boards. The fifth edition, a substantial revision, has now been compiled.

Inquire about these studies and request a copy of this new edition, Development and Operation of the Alberta Pork Production Marketing Board, September, 1986, from Murray Hawkins, Rural Economy, University of Alberta, Edmonton, Canada, T6G 2H1

EC Enlargement and Trade With the US

The purpose of this research is to analyze the impacts of EC's enlargement to include Spain and Portugal upon US-EC agricultural trade. One of the areas of focus is the associated changes in the EC's Common Agricultural Policy. An Armington-type model is utilized to evaluate the effects of these changes on US agricultural exports to the EC.

Inquire about this research and request a copy of a related paper to be published in Agribusiness, "Origins of the Recent US-EC Trade Dispute", from Tassos Haniotis or Glenn C. W. Ames, 309 Conner Hall, Department of Agricultural Economics, University of Georgia, Athens, GA 30602.

Farmers' Interest in Third World Development Considered

Since the only major growth market left in the world for U.S. agricultural products is the developing countries, their economic development is seen as crucial for expanding farm exports in the future. Yet Third World agricultural development may adversely affect U.S. producers of certain farm commodities in the short or long term. Dealing with this dilemma brought representatives of farm and commodity organizations, development aid agencies, government, and Land-Grant universities together on October 1-3 at Winrock International, near Morrilton, Arkansas, to discuss the effect on U.S. farmers of agricultural/economic development in the Third World. Co-sponsoring the meeting were the food and Agriculture Committee of the National Planning Association and Winrock International Institute for Agricultural Development. A summary report identified the areas of agreement and of concerns voiced by the various groups.

Inquire about this effort and the availability of any related reports from Wayne E. Swegle, NPA Food and Agriculture Committee, 309 Court Avenue, Suite 300, Des Moines, IA 50309.

U.S. and European Agricultural Lawyers Consider Common Issues

Papers were prepared on a variety of topics of common interest and presented to a "Euro-American Agricultural Law Symposium and Third Symposium of the C.E.D.R.," Plymouth Polytechnic, England, September 8-12, 1986. It was sponsored by the American Agricultural Law Association and cosponsored, by the European counterparts. Two themes dominated the discussions. The first was Agriculture and Forestry as Creators and Victims of Pollution. Topic coverage included: legal definitions and forms of pollution; the form and content of pollution law; court cases dealing with cases of agricultural pollution; pollution across international boundaries; and the cost of pollution. The second main theme was on The Legal Limitations of Production in Agriculture. Agricultural policy issues dealing with grains, milk, sugar, land retirement, marketing orders, and tax policy were covered. Participants included agricultural lawyers/economists from North America and European countries, including Eastern Europe.

The striking lesson from the environmental sessions was the similarity of issues and approaches in North America and all of Europe. The discussions on legal limitations of agriculture production brought out the marked differences in approach between North American and EEC countries, and the vast differences of opinion among EC countries about where the EC agriculture policy stands, what its strengths are, and how to improve it.

Inquire about this effort and the availability of proceedings from Don Uchtmann, a principal organizer, Department of Agricultural Economics, University of Illinois, Urbana, IL 61801, or from Walter J. Armbruster, Farm Foundation, 1211 W. 22nd St., Oak Brook, IL 606521-2197.

Study of United Kingdom Milk Industry

This study examines the complex issues surrounding the United Kingdom Milk Industry. It is facing challenges relating to overproduction, pricing difficulties, current diet/health advice, changes in the consumer marketplace, and competition.

Inquire about this study and request a copy of a related publication, Changes in the UK Milk Industry: Issues and Challenges, July 1986 (charge of 15 English pounds, inc. postage to USA) from Stephen Fallows, Food Policy Research, University of Bradford, Bradford, BD7 1DP, United Kingdom.

Agricultural Development in Egypt Evaluated

This study focuses on the development initiatives in Egypt which seem to attempt to improve the quality of life and human rights based on a transfer of resources from the agricultural sector. It finds that policy keeps food prices low and agricultural wages low. Further, it concludes that industrial development is not stimulated proportionately and the agrarian base is deteriorating.

Inquire about this study from Carter Price and Mohamed F. Scharaf (visiting Researcher from Egypt), Department of Agricultural Economics and Rural Sociology, University of Arkansas, Fayetteville, AR 72701, and request a copy or a paper by the above authors entitled, "Economics of Improvements in Human Rights and Quality of Life: Agriculture in Egypt", published in the Southwestern Journal of Economic Abstracts (vol. 7, No. 1, 1986) from the Editor (may be a charge), W. R. Brazelton, Southwestern Journal Economic Abstracts, Department of Economics, 205 Haag Hall, University of Missouri at Kansas City, 5100 Rockhill Ad., Kansas City, KS 64110.

Review of UK Food Industry's Response to Health Concerns

This inquiry concerns the wide variety of foodstuffs specifically marketed as "good for nutrition" in response to diet/health concerns. These developments were reviewed on a food by food basis.

Inquire about this inquiry from Stephen Fallows and request a related publication, Diet/Health-Food Industry Initiatives, April, 1986 (charge of 15 English pounds, inc. postage to USA), from Juliet Slattery, both addressed to Food Policy Research, University of Bradford, Bradford, BD7 1DP, United Kingdom.

Competitive Position of Southern Agriculture Examined

Papers were prepared on the competitive trade position of Southern Agriculture in a world economy and presented at a regional trade conference in Atlanta, Georgia, November 4-6, 1986. The Conference provided an interchange of ideas and current information to educators, researchers, farm and commodity organizations, national policy makers, state and local government officials, and agribusiness leaders. It was cosponsored by Farm Foundation, the Southern Extension Marketing and Southern Extension Public Affairs Committees, the Southern Rural Development Center, and the Consortium for International Cooperation in Higher Education. Major sessions included perspectives on trade, national economic policies, key agricultural trade policy issues, trends and prospects, the competitive position of southern agriculture and specific commodity analyses.

Inquire about this effort and the availability of proceedings from Walter J. Armbruster, Farm Foundation, 1211 W. 22nd Street, Oak Brook, IL 60521-2197.

Review of Issues about Agriculture and the Environment

A series of studies were developed to examine issues surrounding agriculture and the environment. The resulting papers were then presented along with others at a national conference in April, 1986, sponsored by the National Center for Food and Agricultural Policy at RFF. These papers are now being published in a volume which studies the links between U.S. agriculture and environmental quality. The volume is the second in the National Center's series of Annual Policy Reviews, each of which will focus on a particular aspect of agriculture policy. This volume is edited by Tim Phipps, Pierre Crosson, and Kent Price.

Inquire about this effort from Linda Pierce, National Center for Food and Agricultural Policy, Resources for the Future, 1616 P Street, N.W., Washington, D.C. 20036, and request a copy of the related publication, Agriculture and the Environment (cost is $10.00 + $1.50 postage and handling), November, 1986, from Marietta Schirf, Resources for the Future, 1616 P St., N.W., Washington, D.C. 20036.

Rural Community Bibliography Developed

This effort involved the compilation of an annotated bibliography on the interdependencies of agriculture and rural communities in the spring of 1986. Almost 600 entries are represented.

Inquire about this effort and availability of the bibliography, Interdependencies of Agriculture and Rural Communities to be published by Garland Publishing (charge of approximately $30) from F. Larry Leistritz, Department of Agricultural Economics, North Dakota State University, P.O. Box 5636, Fargo, ND 58105.

The Forgotten People: Rural Poverty and Public Policy

This work encompasses an edited volume of papers dealing with the above subject. About a third of the papers deal with the U.S. and the remainder comparative with other nations. It is partly published as an issue in the Policy Studies Journal and other publications will follow.

Inquire about this effort from the editor, Aruna N. Michie, Political Science Department, Kedzie Hall, Kansas State University, Manhattan, KS 66506, and request a copy (may be a charge) from Mel Dubnick, Policy Studies Journal, University of Kansas, Lawrence, KS 66044.

Rural Public Finance Research Project

This research project examines rural public finance, agricultural taxation, and education. Rural communities face difficult public finance decisions as tax base declines, federal aids are eliminated, and state budgets are squeezed. Especially vulnerable are rural school districts with moderate or low levels of household income. The future quality of primary-secondary education is in question in these areas.

Inquire about this research and request a copy of a related paper, "Agriculture and the Property Tax", from Richard Barrows, Department of Agricultural Economics, Taylor Hall, University of Wisconsin, Madison, WI 53706.

Policy Structural Implications of Suburbanization

This study focuses on the direct effects of suburbanization (rural/urban land conversion) and the indirect effects (regulatory, technical, and market) on agriculture by integrating these effects into a dual, multiproduct, multifactor profit function. It also links important policy issues, such as "right to farm" and farmland preservation, to the methodology and empirical findings.

Inquire about this study and request a copy of a related report, "The Impact of Suburbanization on the Structure of Agriculture", October 1, 1986, from Rigoberto A. Lopez, Department of Agricultural Economics, Cook College, Rutgers University, New Brunswick, New Jersey 08903.

Sustainable Agriculture Explored

Papers were developed on the topic, Foundations of a Sustainable Agriculture for the Twenty-First Century, and presented at an international conference, October, 1986 at the University of Maine. Discussions centered around alternative cropping, governmental policy, and cooperative efforts, with considerable skepticism that trade barriers and border "wars" will solve the future problems. Participants included agricultural, political, and academic leaders of the Northeastern U.S. and of Canada.

Inquire about this effort and the future availability of the proceedings under the title, Sunrise Agriculture, from Mark Anderson, Room 6 Winslow Hall, University of Maine, Orono, ME 04469-0163.

Organic-Regenerative Farms Studied

This research focused on alternative, sustainable agricultural approaches. It involved a longitudinal survey of organic-regenerative farms in seven states, for the years 1981 and 1986.

Inquire about this study and request a copy of a related paper, "Sustainable Agriculture Must Be Profitable", October 15, 1986, from Patrick Madden, 104 Weaver Bldg., PSU, University Park, PA 16802.

Studies on the Impact of Farm Policy and Technological Change

A series of studies was commissioned to examine various aspects of technology change. These were then presented at a symposium sponsored by the University of California Agricultural Issues center, June 1986. Topics included: A Look Ahead at U.S. and World Agriculture; Modeling Policy Scenarios; Responding to Changes in the Political, Economic, and Technological Environment--Dairy, Rice, Cotton; Interrelations of Government Programs and California Agriculture; and Institutional Response to Changes in Agriculture.

Inquire about these studies and order a related publication, The Impact of Farm Policy and Technological Change on U.S. and California Agriculture, Symposium Proceedings (charge of $20), October 1986 from Harold O. Carter, Agricultural Issues Center, University of California, Davis, CA 95616.

Farmers Leaving Farming in North Dakota Studied

In September 1986, over 125 former farmers from North Dakota were surveyed. Information was obtained regarding their past and current financial conditions, debt left behind, policy attitudes, management adjustments, tax liabilities, employment status, and other socioeconomic characteristics.

Inquire about this study and forthcoming results from F. Larry Leistritz, Department of Agricultural Economics, NDSU Box 5636, Fargo, ND 58105.

Michigan Committee Studies Food Policy

This study was carried out by the Michigan Food Policy Committee. The report deals with a variety of food issues, such as establishing a surplus commodity distribution network, improving the state food purchasing practices, expand the practice of gleaning at the grower, processor and retail levels, as well as other issues to be addressed. Recommendations from the report are being submitted to the Governor and that office's Human Service Cabinet.

Inquire about this study from Vincent D. Parris, Michigan Department of Agriculture, Office of Policy, P.O. Box 30017, Lansing, MI 48909.

Financial Condition of North Dakota Farmers Surveyed

In 1985, 933 North Dakota farmers were surveyed regarding their financial and other socioeconomic characteristics, off-farm employment, policy attitudes, stress, management adjustments, and outlook for the future. Results have been analyzed in a number of ways and published in several sources.

Inquire about this research from F. Larry Leistritz, North Dakota State University, Department of Agricultural Economics, P.O. Box 5636, Fargo, ND 58105, and request copies of the following reports: "Selected Financial and Other Socioeconomic Characteristics of North Dakota Farm and Ranch Operators", July 1985; "North Dakota Farmers' Views of Financial Assistance Policies", in North Dakota Farm Research, July-August 1986; "Farm Financial Stress in North Dakota: Selected Characteristics", in North Dakota Farm Research, May-June, 1985; "Off-Farm Income of North Dakota Farm Families", North Dakota Farm Research, January-February 1986; "Off-Farm Income and Employment of North Dakota Farm Families", October 1985; "The Current Farm Financial Situation: Impact on Farm Operators and Rural Communities", in Proceedings: Outlook '86, USDA, 1986.

The Food Institute Report and Policy Issues

Information which may be of interest to many policy workers concerned about the entire food sector is published in the weekly report released by the American Institute of Food Distribution. It provides weekly posting for all segments of the food distribution network from raw product to consumer and incorporates the Report on Food Markets, Food Distribution Digest, and Washington Food Report.

Inquire about this information effort and publication (charge) from John Rengstorff, American Institute of Food Distribution, 28-12 Broadway, Fair Lawn, NJ 07410.

Food Additives in Perspective

A review was made of the current issues relative to food additives. It dealt particular reference to consumers, industry and government.

Inquire about this review and request a copy of the related report, Food Additives in Perspective (charge of 15 English pounds including airmail postage), August, 1986 from J. Verner Wheelock, Food Policy Research, School of Biomedical Sciences, University of Bradford, Bradford, W. Yorks BD7 1DP, U.K.

Policy Aspects of Climate Forecasting

Papers commissioned on Policy Aspects of Climate Forecasting by the National Center for Food and Agricultural Policy at Resources for the Future, will soon be published as a proceedings of a seminar held last March in the nation's capital. The studies represented a range of professionals interested in the implications of new developments in short-term (2-3 months) climate forecasting and its implications for policy with a focus on agriculture. The proceedings are introduced by a "state of the science" which should serve as useful background for those interested in the subject, and includes a number of papers by economists on the value of such information as well as discussions by others on related policy issues.

Inquire about these studies and availability of the related publication from Richard Krasnow at the National Center for Food and Agricultural Policy, Resources for the Future, 1616 P St., N.W., Washington, D.C. 20036.

Interrelations of Cotton/Dairy Program and Alfalfa Market

Recent research by Steve Blank and Harry Ayer at the University of Arizona shows the effect of the 1986 cotton and dairy programs on alfalfa hay prices and returns in Arizona. Alfalfa hay prices and returns are estimated to have been cut by 10 percent as a result of the commodity programs.

Inquire about this research and request a related paper "The Arizona Alfalfa Hay Market: Effects of Cotton and Dairy Policies", July 1986, from Harry Ayer, Department of Agricultural Economics, University of Arizona, Tucson, AZ 85721.

Econometric Model of the PNW Beef Industry Developed

This research focused on demand estimation. An econometric model of the PNW beef industry with regional supplies and a national demand was developed and used to estimate short run impact multipliers. Impact multipliers were estimated in terms of changes in the quantity of beef from other regions, feed prices, substitute prices, cost of money, income, and the general price level.

Inquire about this research and request a copy of a related paper, "Econometric Model of the PNW Beef Industry," from Raymond J. Folwell, Department of Agricultural Economics, 101 Hulbert Hall, Washington State University, Pullman, WA 99164-6210.

Grain Storage Management Policy Subject of Study

This study deals with physical management of grain storage, provides guidelines and ideas on proper equipment for both farm and commercial storage, and with financial management or marketing considerations in grain storage management. It provides a guideline with cost and price information for farmers to use in determining the cost of storage. Assistance is offered about the decisions of whether to sell or store, where is the best place to store, and whether to invest in on-farm storage facilities. Marketing alternatives to storing grain are also covered.

Inquire about this study and request a related report, "Grain Storage Management: Physical and Financial Considerations" by H. L. Kiser, R. W. Schoeff, W. I. Tierney, Jr., K. L. McReynolds and L. Figurski from Harvey L. Kiser, Department of Agricultural Economics, Waters Hall, Kansas State University, Manhattan, KS 66506.

Natural Resources Newsletter Offers Further Communication Linkage

Initiated recently, NRED Today, a monthly newsletter issued by the Natural Resource Economics Division, ERS, USDA, reports developments of interest, including policy, in the natural resource economics area. This is a welcome complementary effort to that of Policy Research Notes to provide a communication linkage among policy workers.

Inquire about this publication, order a review copy, or request to be placed on the mailing list, from the Editor, Neill Schaller, NRED Today, USDA-ERS-NRED, 1301 New York Avenue, NW, Room 524, Washington, D.C. 20005-4788 or phone 202-786-1449.

SPECIAL SECTION ON U.S.-CANADIAN FREE TRADE TALKS: THE IMPLICATIONS FOR AGRICULTURE

The following three papers focus on issues likely to affect agriculture as a result of the current discussions between the United States and Canada to establish freer bilateral trade relations. The papers share certain conclusions, but also offer differing opinions about certain topics. The Warley/Barichello paper, in presenting a Canadian perspective, lays out very well the Canadian objectives in seeking a freer trade agreement. They also point out that the U.S. objectives are not as clear. Their conclusion is consistent with the impression that the entire bilateral free trade issue has been as politically "hot" in Canada as it has been "cold" in the United States.

One recurring topic in each paper--and one of the most troublesome problems influencing world agricultural trade today--is the question of agricultural subsidies and the whole range of policies and programs affecting agriculture. Both countries have numerous complaints about each other's agricultural and trade policies. The Normile/Goodloe/House paper provides an overview by commodity of these programs, recent trade problems, and likely changes in direction of trade as a result of some degree of trade liberalization. Although there may by a general agreement among the authors that certain domestic policies--and the concomitant border restrictions necessary to maintain the integrity of the domestic programs--interfere with and distort trade, there is no concensus on just what constitutes a subsidy, which country subsidizes what commodity the most, or what are the effects of the various programs on production and trade.

The Schmitz/Carter/Van Kooten paper, for example, maintain "In agriculture, U.S. subsidies far exceed those in Canada. As a result, the distortions that exist in U.S. agriculture are far greater than those that exist in Canada..." On the other side, Warley/Barichello write that Canadian agricultural policy is characterized by "a higher overall level of intervention and regulation in agriculture and a less marked resolve to move to more market-oriented systems (even at the rhetorical level)." This difference of opinion among professional economists knowledgeable about the agricultural sectors of the two countries reinforces just how contentious and complex the commodity issues will be in specific negotiations. As the Normile/Goodloe/House paper points out, "it is unlikely that any two commodities will be similarly affected by trade liberalization."

AGRICULTURAL ISSUES IN A COMPREHENSIVE CANADA - USA TRADE AGREEMENT: A CANADIAN PERSPECTIVE 1/

T.K. Warley and R.R. Barichello*

Introduction

The purpose of this paper is to identify some of the more important agricultural and trade policy issues that are involved in the achievement of "the broadest possible package of mutually beneficial trade barrier reductions" to which the governments of Canada and the United States are committed.

It is widely acknowledged that liberalization of bilateral trade in farm and food products will present particular difficulties because of the extensive regulation of the agrifood sector in both countries and the conflict that exists between the attainment of the goals of national agricultural policies on the one hand and the obligation to open borders and create a "level playing field" of competitive conditions for production and exchange on the other. This conflict is also, of course, at the heart of global agricultural trade policy difficulties so its handling and resolution in the bilateral context has great significance for the multilateral trade negotiations on agriculture that will be conducted under the General Agreement on Tariffs and Trade (GATT) in the latter years of this decade. As in the MTNs, bilateral negotiations on agriculture will have to grapple with the distortions in agricultural and food production and trade that derive from such non-tariff measures as price and income support and stabilization programs, market control arrangements and technical standards, and non-agricultural macropolicies.

Canada's Agricultural Trade

The Canadian agrifood system as a whole is driven by trade. Exports of farm and food products are numerically equal to around 50 percent of aggregate farm receipts; the comparable figure for the United States and the European Community has recently been around 20 percent. Grains, oilseeds and red meats, which together account for around 64 percent of the gross value of farm output, are effectively priced in world and continental markets. The 15 percent of output, represented by horticultural products, potatoes and tobacco are partially protected from international competition. Only the dairy, poultry and eggs sub-sectors (21 percent of gross output) are sized to satisfy domestic consumption at "made in Canada" prices and are fully insulated from world market conditions.

Since 1983, the USA has been Canada's largest, fastest growing and most diversified export market for agrifood exports. In 1985, the USA took 27 percent of total Canadian agricultural and food exports, 59 percent of nongrain and oilseed products exports, and over 80 percent of total shipments

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*Agricultural Economists, University of Guelph, Guelph, Canada, and University of British Columbia, Canada, respectively.
1/Presented at annual Canadian Meetings, reprinted here with permission.

of such major export categories as beef and pork, live cattle and hogs, and sugar and maple products. In recent years, the United States has supplied about 60 percent of Canada's agricultural imports. Canada has ranked fifth as an outlet for US agrifood exports behind Japan, the USSR, Holland and Mexico, but has been the largest single outlet for US exports of fruits and vegetables and the third largest for shipments of livestock and livstock products and soybean cake and meal.

The present and growing dependence of the Canadian agrifood system on trade makes the attainment of assured and improved access to foreign markets the principal objective of Canadian commercial diplomacy. This objective is pursued multilaterally in the GATT and bilaterally as needs and opportunities arise.

The Larger Context

Canada is integrated into the world economy to an unusual degree. In 1985, its exports of $120 billion of goods accounted for 27 percent of gross domestic product. More particulary, $95 billion or 79 percent of these exports went to the US. Hence, fully 21 percent of economic activity in Canada is directly linked with the production of goods for sale in the United States. Furthermore, the dependence of the Canadian economy on exports to the United States has grown over time. The "third option" of the Trudeau administration under which Canada sought to loosen its trade dependence on the US market by diversifying its export outlets has failed.

In 1985, Canada imported $103 billion of goods, $74 billion or 72 percent of which were from the US. The two-way trade of $169 billion was the largest bilateral trade flow on the face of the earth.

The major consideration that has led Canadian authorities to seek to conclude a comprehensive bilateral trade arrangement with the US is the perception that Canada's access to the US market-- and hence present and future levels of national income and employment--is at risk. The threat to Canadian access is seen as arising in two forms. First, there is a perception that the US Congress, manufacturing industries and organized labour are drifting towards a protectionist trade stance in response to such factors as the massive and growing deficit in merchandise trade, persistent surplus capacity and unemployment, continuing trade barriers of many countries, and fears about the "de-industrialization of America". The protectionist mood is manifest in draft trade legislation before Congress, the pronouncements of many private interest groups, and the politicization of trade policy in the run up to Congressional elections. Secondly, the more vigorous application of the contingent protection provisions of existing US trade law (i.e. the trade remedies against unfair competition due to subsidies and dumping and the safeguard measures against fair but intolerably disruptive competition) has already impaired access to the US market for Canadian exports of such food products as live hogs, raspberries, blueberries and fish and threatens future access for a very wide range of agricultural, resource and industrial products. Furthermore Canada's exposure to US contingent protection measures will continue to grow as US authorities press the "fair trade for free trade" bargain, relax the specificity test, and widen the definition of what constitutes unfair competition to embrace a host of measures that figure

prominently in the instrumentation of Canadian economic and social policies, including elements of the sector specific industrial policies and programs that are operated for agriculture under the rubric of "national agricultural policy".

For these reasons, Canada's compelling objectives in seeking a trade accord with the USA are essentially three-fold:

- o to secure access to the US market by
  - o limiting the effects on Canada of US trade remedy laws and
  - o developing clear and workable distinctions between acceptable assistance programs and unacceptable and therefore counter-productive subsidies;
- o to improve access to the US market by lowering tariff and non-tariff barriers to trade; and
- o to enshrine this access
  - o by a binding treaty and
  - o by the establishment of effective adjudication and dispute settlement mechanisms.

There are also some in Canada who favour freer trade with the US for less defensive and more positive reasons. These including the stimulus to improved productivity expected from scale economies, longer production runs, exposure to a more competitive environment and the deregulation that will be forced on the Canadian economy by the need to be competitive in the continental market.

The objectives of the US in the negotiations are not so clear. US authorities are responding to a Canadian initiative. However, it appears that the US Administration views a bilateral agreement as providing:

- o a signal to the rest of the world continuing commitment of the USA to a liberal international economic order;
- o a model for the up-coming GATT round of multilateral trade negotiations insofar as the bilateral accord:
  - o liberalizes exchanges between the world's largest trade partners and
  - o offers an opportunity to devise, test and demonstrate model codes of conduct and adjudication mechanisms (possibly serving as prototypes for the MTNs) in such "new" areas as trade in services and intellectual property and the trade conditions attached to international investment, as well as in such "old" and intractable areas as government procurement, technical barriers, subsidies and agriculture; and
  - o an alternative to GATT if it proves that the multilateral commercial diplomacy followed in the post-war era has run its course.

Additionally, the US has a lengthy list of specific discontents with the condition of Canada-US trade which it will want to resolve in bilateral negotiations.

It will be seen that the broad considerations drawing both countries towards a closer trading relationship are non-agricultural. Nevertheless, agricultural trade constitutes a component of the negotiations and will be included in any accord which results.

Coincident Agricultural and National Interests

Canada has less reason than the US for including agricultural and food trade on the negotiating agenda since the balance of trade is already in the US' favour (Table 4). Furthermore, it is apparent that the economic interests of some influential commodity groups and regions will be impaired and some farm programs and institutional arrangements will be jeopardized in an arrangement providing for freer north-south (and east-west!) trade. Nonetheless, the Canadian agricultural and national interests do coincide in three areas.

First, those competitive sections of Canadian agriculture that presently successfully export to the USA need more assured access to that market through relief from the uncertainty, harassment and expense resulting from the sometimes quixotic application of US federal trade remedy laws and the protectionist application by states of technical standards. This is most obvious for those commodity groups that have experienced--or can anticipate --being the subject of US countervail, anti-dumping and safeguards actions and states' regulations. These include hogs, pork, cattle, beef, potatoes, onions, carrots, raspberries, blueberries and cut flowers.

Secondly, Canadian producers of a myriad farm and food products could expect to find expanded market opportunities in the US if they were accorded improved access by the US lowering its tariff and non-tariff barriers to sales of a range of products, presumably in a manner that would provide preferential access to the products cited above, plus cole crops, asparagus, mushrooms, some flowers, fruits and nursery stock, tobacco, oilseeds products, maple products, animal feeds, seeds and a very large number of processed food products in which Canadian suppliers are competitive.

Third, conceptually at least, the creation of a "level playing field" of competitive conditions would provide Canadian authorities with a treaty-bond vehicle for influencing those US agricultural subsidies and industry aids that are perceived by Canada as providing unfair advantages to US producers, processors and merchandizers in competing with Canadians in continental --and other off-shore markets. Examples are legion; they range from the deficiency payments made to producers of the basic crops, through the operation of US marketing orders and agreements, to the subsidized supply of transport services and irrigation water.

Divergent Agricultural and National Interest

The above notwithstanding, it is a fact that major Canadian farmer organizations and some commodity groups are unequivocally opposed to the inclusion of agriculture in arrangements to free trade between Canada and the US. And numerous Parliamentary groups, provincial governments, commissions and "think-tanks" that have addressed the matter have differed only in the

degrees of their reluctance to have existing Canadian agricultural policies and associated agricultural trade arrangements disturbed. Even those who concede that agricultural trade might have to be included, and those few actively advocate its inclusion, have emphasised that this will present exceptional difficulties and require special arrangements with respect to the extent, form, management and timing of the integration of the food systems of the two countries.

The difficulties stem in part from fundamental differences in the instrumentations and parameters of agricultural policy in Canada and the USA, albeit that policy objectives are similar insofar as they emphasise farm income support, preserving a family farm structure, assuring food supply adequacy, promoting industry development, etc. Among the differences that characterize Canadian agricultural policy are:

- a higher overall level of intervention and regulation in agriculture and a less marked resolve to move to more market-oriented systems (even at the rhetorical level);
- the provision of distinctly higher levels of support for the dairy, poultry, horticultural and red meats sub-sectors;
- a broader commitment to stabilize producers' returns for a wider range of products and generally to share with farmers the down-side risks of markets;
- a more extensive use of explicit supply management techniques that involve formula pricing and farm-level quotas, and which require border controls for their operation;
- a deeper commitment to "orderly marketing agencies and provincial commodity boards;
- the active involvement of provincial governments in agriculture in ways that make them equal managing partners with the Federal Government, or which result in their effectively operating their own food sector assistance and development policies and programs; and
- the perception that agricultural policy is an important means of attaining the national imperative of balanced regional economic development and of fostering cohesiveness in an intrinsically fragile economic and political union.

In addition, and perhaps more tangibly, the opposition of many farm and food industry groups to continental free trade in agrifood products stems from their perception that their economic interests would be adversely affected if the Canadian-US border was opened, if Canadian industry assistance programs were outlawed or constrained, and if present institutional arrangements were jeopardized. Adverse economic effects include--first and foremost--lower prices, profits, and asset values from a reduction in the income transferred by:

- border protection (tariffs, quotas, health and sanitary standards, technical regulations and state trading);
- within-border market control programs (formula pricing, supply reduction, discriminatory marketing and restrictions on substitutes); and
- direct subsidies to products (stabilization payments, milk subsidy) and to inputs (transport, insurance, capital and credit).

Industry groups would also count as adverse developments the emergence of a more unstable and risky economic environment, the reduction in the degree of control exercised by producers over markets and their economic destinies, and the circumscribing or foreclousre of future policy options.

Commodity Implications

A commodity-centred review of salient potential negative economic and institutional effects of a fully open border and the equalization of competitive conditions will quickly reveal the resons for the antipathy of major commodity producer groups, and some input suppliers, food processores and provincial governments to free trade with the US in farm and food products.

Grains

- Erosion of the ability of the Canadian Wheat Board to:
  - continue as a monopsonist/monopolist in the marketing of Western grains;
  - provide equitable access to the Canadian elevator system and to markets;
  - exclude imports of wheat, flour and grain products;
  - extract a price premium for wheat consumed for food domestically; and
  - obtain a quality premium for grains sold off-shore by
  - maintaining the integrity of the control system for types, varieties and quality standards.
- Pressure to remove the transport subsidies provided by the Western Grains Transportation Act and the Feed Freight Assistance Program on Western grains shipped to US markets via Vancouver or Thunder Bay and feed grains shipped into Eastern Canada respectively.
- Loss of the price premium on soft wheats grown in Central Canada.

Oilseeds

- Difficulties for crushers with removal of the tariff on soybean oil.
- Losses for crushers, manufacturers and dairy producers with termination of the import embargo on margarine.

Dairy, Poultry Meats and Eggs

- An end to supply management, regional market sharing, and marketing board monopoly power.
- Prices fall 20-40 percent to US border state market (fluid milk, poultry, and eggs) or support (industrial milk) levels.
- A consequent reduction in profitability and asset values including the loss of $7 billion in quota values.
- Massive adjustment in the number of producers and processors.
- Major adjustments in the location of production in Canada.

Horticulture

- Diverse impacts on this multi-product sub-sector, but some lose protection afforded by:

  seasonal tariffs in the 10-20 percent nominal range;

- o the prohibition on consignment selling; and regulations on container usage.
- o Termination of capital grants programs for storage and processing facilities.
- o Erosion of price setting or negotiating powers by some producers' marketing boards.

Wine and Grapes

- o End to the protection provided against better quality US wines by the discriminatory procurement, listing and margin policies of provincial liquor monopolies and by provincial "domestic content" regulations.

Tobacco

- o Foreclosure of the proposal to form a national marketing agency with price setting, market, market sharing and supply management powers.

Food Processing

- o Results would be diverse for a heterogeneous and multi-product industry but some processing sectors face:
  - o loss of protection afforded by
    - o escalating tariffs,
    - o import quotas on supply-managed products, and
    - o regulated pricing systems for raw-product inputs;
  - o intensified competition with US firms that enjoy longer production runs, higher labour productivity, lower wage rates and social program costs, and lower costs of raw products, packaging materials, and transport machinery;
  - o the double jeopardy of continued regulation of prices and supplies of raw product but liberalization of trade in intermediate and final products; and
  - o relocation of branch plants by US parents.

Livestock and Meat

- o Effects from freer and more secure trade mainly positive, but:
  - o some risk to herd health if health and sanitary regulations were changed;
  - o consequential threat to off-shore exports of stock and semen; and
  - o challenges to the permissibility or level of benefits provided under federal and provincial or "tripartite" price and margin stabilization programs.

These potentially negative effects of freer agricultural trade on national and regional farmers' incomes, agricultural asset values, farm numbers, and on established policies and institutions are readily predictable. By contrast, the potential gains from improved and assured access for Canadian products in the US market are distinctly less tangible and more speculative. Will Canada be excluded from US contingent protection measures if it insist on the continued provision of assistance to the agrifood industry? Is it realistic

to think that the US will change the nature and parameters of its agricultural programs in response to Canadian demands for a "level playing field" on which to compete? Will a strengthening of the Canadian dollar eliminate the expanded market opportunities that changes in the present conditions of access to the US market would otherwise provide? However one looks at it, it appears to most participants in the Canadian food system that there is a fundamental asymmetry within bilateral negotiations between the benefits that can be secured for Canadian agriculture and the agricultural concessions that the US will most likely seek.

With this perception it is not surprising that the weight of organized industry opinion has favoured:

- the selective exclusion of entire commodity sub-systems from the negotiating agenda;
- dealing with the specific problem of threatened access in a general accord on contingent protection law and practice; and
- treating the multilateral negotiations in the GATT as the primary vehicle for seeking improved market access since this is the arena in which expanded market opportunities might be obtained for Canada's largest and most competitive export sub-sectors, grains and oilseeds.

Such a strategy does not appear to be acceptable to the United States. US authorities are animated by concerns about the US's $150 billion plus merchandize trade deficit (including a $15 billion deficit in 1985 with Canada), with the shrinking agricultural trade surpluses with the world and with Canada, and with the badly needed farm income benefits that could result from increased sales of farm and food products to Canada. In addition, agriculture is about the last major industry group in the United States that supports a liberal international economic order and it must be kept "on side" if the Administration's attempt to make world trade freer and fairer in a new round of multilateral trade negotiations is to succeed. Further, it would be a bad precedent for the forthcoming GATT round it agriculture was excluded from a bilateral accord. For if the US and Canada cannot agree to open their borders to each other's farm products and to change their national agricultural policies in ways that remove their distorting effects on trade, what hope is there of engaging Europe and Japan in meaningful negotiations on improving the multilateral trading system for agricultural products. Finally, it is worth reaffirming that the US hopes that the bilateral negotiations will generate constructive precedent-setting approaches and arrangements to some generic issues of agricultural trade policy that subesequently can be mulitilaterally agreed to in the GATT.

For all these reasons the US is insisting that negotiations should include trade in farm and food products and deal with the trade distortions that flow from national agricultural policies and the trade arrangements that support and accompany them.

Possible Outcomes

Once negotiations are fully joined, a range of outcomes is conceivable on issues that cut across commodity lines and on those that are commodity specific.

On the first, the principal task is to get a grip on the trade distorting non-tariff measures that are linked to domestic agricultural price and marketing policies. And of these, subsidy policies are the most important. Possibilities include a ban on the use of export subsidies in bilateral agricultural trade and clarification of the relationship between the use of subsidies (to production and to export) and the application of contervailing dutes.

With reference to subsidies, some of the options are: a definition of the types of subsidies, industry aids and expenditures on public goods that are and are not countervailable; agreement that the countervail duties should not exceed the net difference in subisidies between the two countries; more onerous burdens of proof of injury and higher injury thresholds than those at present in effect; and the creation of an impartial dispute settlement mechanism. In this matter of a subsidies code, Canada's highest priority must be to secure agreement that the stop-loss, market-oriented, low-slung economic safety-nets available to producers under the Agricultural Stabilization Acts of 1975 and 1985 and the Western Grains Stabilization Act 1976 are production and trade-neutral and therefore not countervailable. On commodity-specific negotiations three broad possibilities can be envisioned.

First, it is conceivable that a decision could be reached that, by mutual consent, trade should not be liberalized, that is, existing farm programs, institutional arrangements and border measures for selected commodities should be left substantially intact. This might be the preferred outcome where: both countries operate parallel systems of economic regulation but with different program instruments and parameters; very little additional trade would result from opening the border and changing national commodity programs; severe dislocations in terms of income, asset values, farm numbers and institutional arrangements would nonetheless occur if support and trade arrangements were changed; or where the regulatory systems are a burden on the citizens of the country that employs them rather than on the trading partner. These four conditions might all be met, for instance, by Canadian pricing, marketing and trade arrangements for fluid and industrial milk, poultry meats, and eggs which are the sub-sectors most vehemently opposed to being included in a trade arrangement. The same conclusions might be reached with respect to US support and trade regimes for sugar and, less certainly, for grains. In short, there is a possibility of a reciprocal agreement to exclude from the overall accord particularly difficult agricultural subsectors.

A second possibility is that the trade and farm income objectives of the country with the lower prices and costs might be satisfied with a negotiated marginal increase in its share of markets in the country with the higher prices (plus the rents that accompany market management). This would permit the country conceding improved access to retain its regulatory arrangements for the correspondingly reduced domestic output. Such a settlement might be negotiable in giving the US somewhat improved access to the regulated Canadian markets for dairy and poultry products.

The third possibility is, of course, that borders might be fully opened and national agricultural assistance programs that distort competitive conditions harmonized or eliminated. There is no doubt that this would require wrenching adjustments in parts of the Canadian agrifood system, especially among primary

producers of milk, poultry meats, eggs, grapes and some horticultural products. Three factors that will ameliorate the adjustment pressures can be identified. First, the exchange rate between the Canadian and US dollars seems likely to provide substantial protection to Canadian producers for some years to come. Second, the phase-in period for agreed arrangements might be as long as a decade so that abrupt dislocations will not be required. Third, the bilateral trade accord will certainly permit, and equity and political realities will require, the provision of generous adjustment assistance to firms, industries and regions that suffer losses as a consequence of the creation of a comprehensive bilateral trade agreement.

A Concluding Note

An intense debate is being conducted in Canada about the merits of entering into a closer trading relationship with the US. Much of the debate is concerned with what is non-negotiable if Canada is to obtain net economic benefits while preserving its national sovereignty and cultural identity. At present there is a consensus only on the imperatives of Canada retaining its social programs, cultural subsidies and regional development grants, obtaining the right to provide adjustment assistance over lengthy phase-in periods, and preserving freedom to control its exchange rate. The negotiations may finally founder if it proves impossible to conclude an agreement which satisfies these vital national interests.

Apart from those who have mercantilist notions about the purposes of trade policy, and they are numerous, the opposition in Canada to the inclusion of agriculture in a trade arrangement with the US boils down to a preference by some for a continuation of the subsidization of high cost agricultural production in Canada and for preserving familar regulatory systems and cherished producers' marketing institutions. Only time will reveal whether these matters are in fact "below the bottom line".

Meantime, an urgent task for policy analysts is to elicit the information needed by policy-makers and industry participants: first, in identifying the interventions and regulations that may have to be changed in response to the opening of borders and the equalization of competitive conditions; and second, in empirically measuring the impacts of this development on such variables as prices, output, consumption, trade flows, incomes, asset values and producer numbers. Additional dimensions that need to be explored are cross-commodity effects, vertical effects within the food system, effects on pricing and marketing systems and institutions, and impacts on Canada's regions and communities and on third countries. Little work on these matters has been done to date on either side of the border, hence the negotiations are not yet being illuminated by research-based knowledge about the size and distribution of economic benefits and of dislocation and adjustment costs.

Table 1: Destinations of Canada's agricultural exports and origins of imports, average 1977-79 and 1982, 1983 and 1984

Table 2: Canada's total and agricultural trade with United States, 1984

Table 3: Canada's agricultural exports to the USA, average 1978-80 and calendar years 1981-1984

Table 4: Canada-USA agricutural trade balance 1979-1985

Table 1: Destinations of Canada's Agricultural Exports and Origins of Imports, Average 1977-79, 1982, 1983, 1984 (percent)

Export Destination	1977-1979	1982	1983	1984
Developed countries	57.9	47.3	46.6	47.9
of which:				
USA	16.4	17.3	18.3	21.7
Japan	17.5	13.4	13.6	13.6
EEC[a]	20.9	13.3	12.0	10.2
Other DCs	3.1	3.2	2.7	2.4
Centrally planned economies	21.9	35.3	33.3	30.7
of which:				
USSR	7.1	20.6	17.3	19.6
China (mainland)	7.1	8.0	9.9	6.3
Other CPEs	7.7	6.7	6.0	4.8
Less developed countries	20.2	17.4	20.1	21.4

Import Origins	1977-1979	1982	1983	1984
Developed countries	77.2	79.7	79.8	78.3
of which:				
USA	57.3	60.5	60.1	59.0
Japan	0.5	0.5	0.6	0.6
Australia	5.2	4.6	3.5	3.0
New Zealand	2.3	2.4	2.7	1.7
EEC[a]	7.6	7.5	8.2	9.2
Other DCs	4.3	4.2	3.7	4.8
Centrally planned economies	2.0	2.4	1.8	1.7
Less developed countries	20.8	17.9	19.4	20.0

[a] EEC-9 for 1977-79, EEC-10 thereafter.

Sources: Agriculture Canada, Canada's Trade in Agricultural Products 1982, 1983 and 1984, Pub. No.85/2, August 1985 and Canada's Trade in Agricultural Products 1979, 1980, 1981, Pub. No.82/3, September 1982.

Table 2: Canada's Total and Agricultural Trade with the United States, 1984 ('000 million $ Can)

	Exports	Imports	Balance
All Commodities	82,796	68,537	+ 14,259
Agricultural Products	2,236	3,609	- 1,373
Grains and Products	210	304	- 94
Animal Feeds	38	76	- 38
Oilseeds and Products	94	475	- 381
Live Animals	440	55	+ 385
Beef and Pork	540	160	+ 170
Other Animal Products	60	230	- 380
Dairy Products	14	14	-
Poultry and Eggs	26	108	- 82
Fruits and Nuts	69	842	- 773
Vegetables excluding Potatoes	84	528	- 44
Potatoes and Products	49	35	+ 14
Seeds	19	52	- 33
Maple Products	20	-	- 12
Sugar	40	32	+ 32
Tobacco	27	8	+ 19
Other	379	672	- 293

Source: Agriculture Canada, Canada's Trade in Agricultural Products 1982, 1983 and 1984, Publ. No.85/2, August 1985, Tables 7 & 8.

Table 3: Canadian Agricultural Exports to the USA as a Percentage of Canada's Total Exports by Commodity Group, Average 1978-80, Calendar Years 1981-84

	Average 1978-80	1981	1982	1983	1984
Total Agricultural Exports	15.6	14.3	17.3	18.3	21.7
Grains	0.9	0.8	1.4	1.2	1.3
Grain Products	34.4	31.7	55.4	57.2	51.7
Animal Feeds	38.1	38.7	37.7	39.6	47.8
Oilseeds	3.5	9.5	6.7	8.4	6.3
Oilseed Products	4.9	9.3	9.3	21.0	13.9
Live Animals	86.8	82.8	88.6	87.6	90.4
Meats	47.7	52.2	59.0	61.5	71.9
Other Animal Products	22.3	23.3	20.7	23.7	22.8
Dairy Products	7.2	4.2	3.8	5.0	5.8
Poultry and Eggs	29.0	22.9	27.8	45.0	51.6
Fruits and Nuts	61.5	44.8	53.7	62.2	65.3
Vegetables, excluding Potatoes	28.0	22.4	30.8	38.8	40.0
Potatoes and Products	32.7	58.3	47.7	45.2	50.3
Seeds for Sowing	49.4	58.3	56.8	78.8	63.2
Maple Products	84.2	85.2	89.9	87.3	83.2
Sugar	72.8	2.5	54.2	89.3	95.8
Tobacco, Raw	13.9	16.0	28.0	25.0	24.1
Other Agricultural Products	67.1	59.6	64.5	74.2	79.1

Source: Statistics Canada.

Table 4: Canada/USA Agricultural Trade Balance, 1979-1985
(Can. $ million)

	Canadian Exports to USA	Canadian Imports from USA	Trade Balance
1979	1,007	2,678	-1,671
1980	1,113	2,916	-1,803
1981	1,260	3,264	-2,004
1982	1,606	3,060	-1,454
1983	1,736	3,118	-1,382
1984	2,236	3,609	-1,373
1985	2,427	3,431	-1,004

Source: Agriculture Canada. <u>Canada's Trade in Agricultural Products</u>, various years.

Note: Canadian also has a surplus in its trade with the USA in alcoholic beverages. In 1985, this surplus was $447 million.

PROSPECTS AND PROBLEMS OF A U.S. - CANADIAN TRADE AGREEMENT: AGRICULTURE

by
Andrew Schmitz, Colin Carter and G.C. Van Kooten*

Liberalized trade between Canada and the United States is a subject of great debate. The proposal which has been put forward by politicians on both sides of the border is that freer trade between Canada and the United Sates should occur and that large economic benefits will result. This paper focuses on Canada-U.S. trade relations in agriculture and it identifies important issues that will surface during free trade negotiations. It is hypothesized that it may be difficult to achieve more liberalized trade in agricultural products as a result of the nature of Canadian institutions and of the size of agricultural subsidies, particularly in the U.S.

Agricultural products are an important component of Canada-U.S. trade. Canada ranks as one of the top five customers for U.S. agricultural exports and the U.S. is the largest market for Canadian agricultural products, receiving shipments valued at $2.2 billion (Canadian funds) in 1984.[#] Canada experiences a large agricultural trade imbalance with the U.S. This trade deficit was an average of $1.4 billion per year in the 1975-79 period, and $1.6 billion annually for the period 1980-84 (Table 1). Despite the trade surplus with Canada, the U.S. has recently imposed countervailing duties on Canadian hog imports and is threatening to impose duties on other Canadian red meats, the only area where Canada has a significant surplus in trade with the U.S. In addition, as a result of the 1985 Food Security Act, U.S. agriculture has become highly subsidized through deficiency payments and the grain export enhancement program. This has created extreme financial difficulties for Canadian prairie grain producers. Further, it has probably aggravated the problem of policy harmonization between the two countries due to the difference in institutions and differing levels of direct subsidization of agriculture..

Interprovincial Trade in Agricultural Commodities

In discussing the costs and benefits of freer agricultural trade between Canada and the U.S., it is important to recognize the extent to which agricultural trade is currently restricted among the various provinces in Canada. Since provinces exercise substantial control over markets within

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The figures presented in this paper are derived from data available from official Government of Canada sources. Unless otherwise indicated, figures are in Canadian funds.

Table 1. Canadian Trade in Agricultural Products With the United States, 1975-84

Commodity	Exports to U.S. Annual Averages 1975-79	Exports to U.S. Annual Averages 1980-84	Imports from U.S. Annual Averages 1975-79	Imports from U.S. Annual Averages 1980-84
	$ Canadian millions			
Grains	38.6	57.4	115.0	185.2
Grain Products	49.8	108.7	45.1	105.7
Animal Feeds	48.9	88.6	37.8	76.2
Oilseeds	22.1	51.6	143.4	174.8
Oilseed Products	5.1	21.4	180.6	230.2
Live Animals	128.4	268.9	52.4	99.7
Beef and Veal	54.5	138.1	25.5	60.1
Pork	34.1	220.2	108.7	32.4
Other Animal Products	69.2	92.6	135.1	206.0
Dairy Products	6.8	10.5	8.0	11.2
Poultry and Eggs	6.8	15.9	54.3	76.6
Fruits and Nuts	32.4	57.4	437.3	748.2
Vegetables (excl. potatoes)	22.6	61.8	266.4	453.9
Potatoes and Products	7.1	38.0	28.0	40.4
Seeds for Sowing	15.8	22.6	33.2	51.0
Maple Products	8.5	16.7	-	-
Sugar	27.4	21.2	20.7	29.7
Raw Tobacco	8.6	24.1	5.7	15.2
Vegetable Fibres	5.8	15.0	70.2	108.7
Plantation Crops	11.6	22.1	140.1	186.2
Other Ag. Products	79.9	190.5	163.0	291.8
Total	703.1	1,590.3	2,090.5	3,193.5

Source: Agriculture Canada. Canada's Trade in Agricultural Products.

their jurisidiction, provincial protectionism may hamper the ability to obtain a free trade agreement. Many segments of Canadian agriculture are governed by supply managed marketing boards. These boards control both output in Canada and, in certain cases, they regulate the volume of imports from the United States. For example, the Canadian Wheat Board (CWB) issues wheat import permits, while for commodities such as eggs, the federal Department of External Affairs sets import quotas. Marketing boards in dairy, poultry and eggs have not only curtailed the volume of trade but have also affected (or altered) resource use within Canada. There are many cases in which comparative advantage within the domestic economy is not realized because several provinces are striving for self-sufficiency in specific commodities. If interprovincial trade barriers were removed in Canada, a greater degree of regional specialization and trade would occur than currently exists.

Regional patterns of trade have been directly affected by government intervention in the case of poultry and dairy products. The national supply control programs for these products involve the determination of national quotas and the division of these quotas among provinces. Although a number of economic features are listed as guides to the allocation of quotas among provinces for the poultry marketing plans, reallocations reflect provincial negotiating power rather than economic criteria. Veeman found that these features have likely impeded the transfer of quota toward low cost producing areas.

These observations indicate that the regional nature of Canadian domestic farm policy is potentially a major constraint to the establishment of freer trade between Canada and the United States. The Canadian government is perceived as favoring agricultural development in Central Canada and the Maritimes, while several provincial governments are subsidizing agricultural production in order to achieve self-sufficiency. Provinces freely construct nontariff barriers to protect their own industries and the net effect is the balkanization of Canadian agriculture.

Perhaps the swine industry best illustrates this problem. Carter and others concluded that government programs have contributed to Western Canada's share of national hog production declining from 46 percent in 1971 to 30 percent in 1984. During the same period, Eastern Canada's share increased from 54 percent to 70 percent. However, basic economics also played a role; Western Canada capitalized on a prosperous grain economy in the 1970's--an opportunity not available to the same extent for Eastern Canada.

While barriers to trade within Canada have been the focus of a great deal of debate, there has been virtually no empirical work done on the costs of interprovincial trade barriers. This is in sharp contrast to the many studies investigating the costs of marketing boards, as discussed in the next section.

Canadian Government Expenditures on Agricultural Programs

Expenditures by Agriculture Canada, the Canadian counterpart to the U.S. Department of Agriculture, amount to about $1.2 billion annually. This includes all expenditures by Agriculture Canada on research, administration and programs, but it does not account for all federal spending on agriculture. There are large federal outlays made by Transport Canada, the Department of Regional Economic Expansion, Industry Trade and Commerce, and External Affairs.

Grains. Most of the program money spent by the federal government is in the grain sector. The regulated rates in rail shipment constitute an appreciable subsidy to prairie grain producers since the federal government now pays what is called the Crow gap, which amounts to an annual transportation subsidy of about $660 million. The Western Grain Stabilization Act provides contributing farmers with income guarantees based on an average of their last 5 years of income (Spriggs). In addition, when grain prices fall below the initial Canadian Wheat Board payment, the federal government will now provide farmers with deficiency payments,

although these have occurred rarely in the last two decades. Further, provincial crop insurance schemes help participating farmers whenever crop yields fall below some average of past yields. Crop insurance schemes differ between provinces.

The major agricultural commodity exported from Canada is grain and the CWB is the sole exporter of wheat, barley and oats. There is very little movement of grains between the United States and Canada under the current system. This is partly due to the low number of import licenses granted by the CWB. However, there is a sizable export trade of malt barley from Canada to the United States, perhaps because, as Van Kooten and Young argue, U.S. target prices for barley are relatively lower than those for wheat when compared to actual market prices. This would result in less barley production and higher U.S. prices, thereby favorable to imports. Corn is allowed into Canada under a small tariff and most of the corn has been imported into Eastern Canada. Likewise, under Section 22 of the Agricultural Adjustment Act, the United States has limited grain imports from Canada when they interfere with price support programs.

The free movement of grain between the United States and Canada could spell the end of the CWB and the entire grain marketing approach in Canada. With a free trade zone, the U.S. would likely demand removal of the Canadian Wheat Board system since one of the key items involves the use of producer marketing quotas. These are <u>not</u> production quotas but are simply used to spread deliveries over the marketing year. Many times the quotas have not been binding, as evidenced by the lack of Canadian wheat stocks. Because the U.S. system allows for price discovery and unrestricted deliveries to the marketing system, free trade in grains would likely require a compatible marketing system. The U.S. would certainly want to prevent Canadian farmers from dumping excess grain in the U.S. marketing system, while U.S. farmers have no access to the Canadian Wheat Board system. Canada's orderly marketing requires the use of marketing quotas and permit books. Since U.S. farmers would not be granted permit books, they would not have access to international markets via the CWB.

In addition, under a free trade arrangement in grains, a much larger portion of Canadian grain might (or could) be shipped to export markets via the U.S. rail and barge system. This would certainly cause concern for the Canadian National and Canadian Pacific railroads, and it would result in a lower volume of traffic on the St. Lawrence Seaway. However, the outcome would depend on the extent of the subsidies given Canadian railways. If subsidies were high enough and freer trade were allowed, a certain volume of U.S. grain would move via Canadian railways under these subsidies.

<u>Supply-Managed Sectors</u>. Government expenditures give only a partial indication of income transfers to agriculture. Producer transfers via supply managed commodities are affected by restrictions on imports and domestic production. Though these transfers do not show up in government expenditures, they are real transfers which affect consumers directly via higher prices. These are, in essence, hidden subsidies. Studies which have estimated the general order of magnitude of these transfers have found them to be substantial. For example, for the dairy industry, Josling estimated that in the mid- to late-1970s, the consumer costs associated with such transfers were two to three times the size of government expenditures in

that sector. Veeman estimates that the consumer costs of regulation in eggs range between $25 and $100 million for 1979, compared with farm cash receipts for eggs of $306 million in that year. For poultry products, she estimates that the costs to consumers range between $45 and $106 million with annual sales of $608 million.

Red Meats. In contrast to dairy and grains, federal expenditures on beef and hogs are relatively minor. Perhaps this explains why there are a variety of provincial government programs for these sectors. The number of provincial programs supporting the red meat sector has grown significantly. Most provinces have at least some form of a Red Meat Stabilization Plan in place. In addition, other factors influencing red meat production and trade include tax credits for feeding cattle and livestock feeder associations through which low interest rate loans can be obtained.

While Canadian marketing boards and interprovincial trade barriers have been the focus of a great deal of debate within Canada, there appears to be little agreement on the magnitude of the effects.

Canadian Institutions and Government Policy

Canada has a somewhat unique set of institutions which may significantly affect any Canada-U.S. free trade initiative in agricultural products. In dealing with international trade between the United Sates and Canada, one cannot underestimate the role and political strength of these institutions. It is not simply a matter of removing or reducing tariffs on imported goods into Canada in order to achieve more liberalized trade. Many of the commodities imported into Canada are regulated by quotas. If these quotas are substantially reduced, the entire institutional structure is seriously challenged. For example, with no quotas on eggs, broilers, dairy products, etc., marketing boards would have difficulty because they are only able to operate as a result of import quotas imposed by the federal government. Since they regulate interprovincial trade, eliminating these boards would not only change the pattern of trade between the United States and Canada, but would likely cause a significant change in the pattern of interprovincial trade and regional specialization within Canada.

If freer trade in grains between the United States and Canada necessitated the elimination of the Canadian Wheat Board, one can be reasonably sure that freer trade in grains would not occur. Regardless of its strengths and weaknesses, the CWB is a very popular institution among the majority of grain farmers and its role would likely be retained by some means. Of course, some arrangement could be worked out to modify the CWB's authority. For example, the CWB could possibly expand its scope by becoming the marketing agency for both U.S. and Canadian spring wheat.

Provincial red meat stabilization policies are common in Canada, but questions have been raised as to whether these are also producer subsidy schemes. In the case of hogs, in 1985, the United States levied countervailing duties on the importation of live hogs from Canada into the United States. After a complaint was filed by the Iowa Hog Producers and other groups in the United States, the U.S. Commerce Department investigated the extent to which the Canadian hog industry was being subsidized in Canada

by stabilization and other programs and ruled that there were significant production subsidies in Canada. The International Trade Commission heard the case to determine whether or not these subsidies were creating significant economic hardship for United States hog producers. The Commission ruled that injury was occurring and, therefore, a countervailing duty of five cents per pound on live hog shipments into the United States was imposed.

The issue of what constitutes a subsidy is important as is the effect of subsidies. Schmitz and Sigurdson contend that stabilization policies do not necessarily generate producer subsidies. In the case of hogs, (1) the actual subsidy was far less than calculated by the Commerce Department; (2) producers in provinces without stabilization schemes (e.g., Alberta) were hurt; and (3) the injury caused by this subsidy to U.S. producers was insignificant. The countervailing duty on hogs has caused concern among Canadian cattlemen that stabilization programs for beef in Canada, which are currently in place (e.g., Saskatchewan), could lead to countervailing action on the part of the United States.

U.S. Subsidies and Canadian Agriculture

The U.S. government also has numerous direct agricultural subsidy programs and trade restrictions. The most obvious examples of U.S. restrictions on imports to support its domestic industry are in sugar, tobacco and dairy products. Transportation subsidies are less direct than the Canadian freight assistance programs, but there are significant federal subsidies associated with the construction and maintenance of internal waterways in the U.S. Heavily subsidized irrigation programs are used in the U.S. to expand agricultural production of grains, livestock, fruits and vegetables that compete with Canadian production (see Table 1). Finally, a major trade issue is the size of the U.S. deficiency payments which wheat and corn farmers receive from the USDA when market prices are low. Due to the drop in the loan rates and the payments associated with the 1985 Act, the U.S. is selling grains into the Canadian market well below the average return realized by its producers. As a result, Ontario corn growers, for example, have initiated a countervailing duty action against U.S. corn exports. They maintain U.S. deficiency payment schemes (i.e., the difference between the loan rate and target price) constitute production subsidies.

The size of U.S. government direct outlays to grain producers via deficiency payments is a concern of producers and a major stumbling block to a Canada-U.S. free trade arrangement. The impact is not on Canada-U.S. trade flows, but in export markets where the U.S. and Canada compete. As shown in Table 2, U.S. government support to wheat producers is presently two to three times the level of Canadian government support. In addition, the U.S. grain export enhancement program provides $1 to $1.5 billion in the form of export subsidies for grain sales over the next three years (1985-88). These programs give the U.S. farmer a sizable economic advantage in export markets over Canadian producers. The important issue here is the impact on competition in world grain markets.

Table 2. Government Outlays for Grain Producers, 1985/86 and 1986/87

Commodity	Exporter	Government Outlays 1985/86	1986/87
		--Cdn. $/bushel)-	
Wheat	EEC	2.60	3.13
	USA	1.49	2.63
	Canada*	0.75	0.85
Barley	EEC	2.41	3.11
	USA	0.41	1.06
	Canada*	0.36	0.33

* These outlays include transportation and marketing subsidies.

Source: Planning Directorate, Canadian Wheat Board, Winnipeg, May, 1986.

Canada has to compete in the world market against countries such as the U.S. and, since the U.S. lowered the loan rate in 1986, Canadian wheat prices will drop accordingly. This raises the important question as to what role subsidies in the U.S. play in a U.S.-Canada free trade arrangement. Even if trade barriers were removed, but subsidies remained, the Canadian treasury might not be able to support its grain producers as well as the U.S. and, hence, they could be at a disadvantage. Millers in Canada might then purchase relatively cheap wheat from the U.S. where production was highly subsidized. Further, the current two-price system for Canadian wheat could not function under a free U.S.-Canada trade agreement.

Not only do subsidies exist for grain producers in the U.S., the dairy industry is also highly subsidized like its Canadian counterpart. In addition, livestock production in the U.S. is subsidized since a large percentage of ranching is done on public lands where grazing fees are extremely low. In the egg and broiler industries, however, subsidies are relatively small in the U.S.

Market Size, Economies of Scale and Costs of Production

The U.S. market is significantly larger than Canada's and this has important implications for freer trade between the two countries. In terms of the North American beef and pork industry, Canada is essentially a price taker since it can increase output without significantly affecting the North American price. This is because U.S. imports of pork and beef from Canada represent a very small percentage of its domestic consumption. Thus, under free trade in these products, it is unlikely that U.S. producers would suffer greatly from Canada's greater access to their markets. If freer trade resulted in more U.S. poultry exports, it would have a significant impact on Canadian producers since a small increase in U.S. production, and hence a large increase in exports from the U.S. to Canada, represents a

large percentage of total Canadian production. In other words, the U.S. would have market power because of its relative size, whereas Canada really has no market power and is a price taker. However, access to the large U.S. market would provide opportunities to exploit economies of scale.

Canada's Comparative Advantage

When discussing free trade in agricultural products between the United States and Canada, it is necessary to determine where Canada has a comparative advantage. This is extremely difficult, especially if one gives serious consideration to the institutions and other factors already mentioned. Unless Canada has some advantage over the U.S. in producing agricultural products, there will not be a significant expansion of exports to the United States under a free trade initiative.

The existing exchange rate has enhanced Canadian agricultural exports to the U.S. market. Yet, Canadian beef exporters have not been reaching their assigned quota and, indeed, may be faced with lower quotas in the future. However, if the exchange rate should once again return to its previous level, exporters of beef and some other products to the United States would face economic disadvantage. Currently, some of the largest feedlots in the world operate in the U.S., and these would likely have little difficulty competing with relatively small feeding operation in Canada. If U.S. red meat prices were to increase, additional beef production could be achieved with better pasture management on public lands, now discouraged by the low profitability in the North American beef industry.

On the other hand, it might be hypothesized that Canada could have a strong future in expanding exports to the U.S. on the basis of farm labor opportunity costs. Given the opportunities that exist for off-farm employment in such states as California, the level of profitability in beef production will have to be relatively high in the future; otherwise, producers will seek off-farm employment and de-emphasize the livestock industry. In many regions of Canada, off-farm employment is not as accessible as in the United States and, therefore, Canadian labor opportunity costs may well be lower than in the United States.

In terms of the current trade patterns, much of the trade between the United States and Canada, excluding red meats, is in commodities which, because of climate, Canada cannot produce. Fresh fruits and vegetables enter Canada from the U.S. in large volumes and this trade will continue in future years regardless of trade barriers (Table 1).

Finally, Warley argues that a country's comparative advantage is determined not simply by improved access to the market, but by "secure" access. This is what Canada desires in a Canada-U.S. free trade agreement. However, in view of the countervailing duty actions referred to above, achievement of this security is certainly a challenge to negotiators.

Gains to Canada From Liberalized North American Agriculture Trade

Deloitte, Haskins, Sells and Associates have estimated the direction of effect and various implications of greater liberalized agricultural trade between the U.S. and Canada. This information is provided in Table 3. As indicated, the beef sector in Canada will gain; the pork and sheep industries will not be affected; the chicken and turkey sectors will be negatively impacted; there will be no effect on the wheat economy; the feed grain sector will lose; and canola, flax and rye, along with mustard, pulses and speciality crops, will gain. The net gain to Canada from free trade approximates $60 million per annum. The $60 million is an underestimate of the true gains as consumer welfare changes were not calculated in the analysis.

Table 3. Estimated Effects of Free Trade Between Canada and the U.S. in 1995, Selected Agricultural Commodities, Prairie Provinces

Commodity	Direction of Effect	% Change in Production in 1995	1983 Prairie Farm Cash Receipts $ million	Change In Farm Cash Receipts $ million
Beef	+	12	1,690	200
Pork	+	2	433	9
Sheep	0	0	9	0
Chicken and Turkey	-	-80	150	-120
Wheat	0	0	4,118	0
Feed Grains	-	-6	906	-53
Canola	+	3	712	21
Flax	+	1	151	1
Rye	+	1	60	1
Mustard, Pulses and Specialty Crops	+	1	99	1
Total	+	1	8,328	60

Source: Deloitte, Haskins, Sells and Associates. Canadian Agricultural Trade Issues, July 1985.

In evaluating these results, questions regarding the grain trade arise. As pointed out earlier, wheat will be unaffected if controls remain on the importation of wheat from the United States and grain is not allowed shipped to foreign countries through the United States. In addition, if the Canadian Wheat Board remains intact, in its present form, wheat would be unaffected. However, if the free flow of wheat was allowed to occur between the United States and Canada, along with the free flow of shipping activities, then the wheat sector would certainly be affected. The direction of the gains in wheat are unclear, although it is our belief that there may be Canadian gains in the trade of feed grains. This is contrary to the result reported in Table 3. In addition, it is still an open question as to whether or not the poultry industry would be negatively affected. It certainly would be in the short-run but, in the long-run, economies of scale in production may well result in a more competitive Canadian industry, where producers in Canada could compete with those in the U.S. This would require increased concentration and regional specialization within Canada.

Summary and Conclusions

Currently, the major trade in agricultural products between Canada and the U.S. is in red meats, followed by fresh fruits and vegetables. Very little trade occurs in eggs, broilers and dairy products. There is little trade in wheat, but there is some in malt barley. The U.S. exports corn, soybeans and oilseed products to Canada. In the red meat trade, the United States has overall beef quota ratios but, at the present time, these quotas are not being triggered by imports. Canada imports fresh fruits and vegetables from the United States because, in many instances, climate allows only seasonal production.

The bilateral free trade issue should not lose sight of the potential gains to be had through cooperation in the international market where the U.S. and Canada are in competition. Perhaps the greatest payoff from freer agricultural trade in North America will come about through harmonized policies and increased cooperation in third country markets. However, the U.S. 1985 Act has adversely affected the economic situation for Canadian sales in world markets and it has exacerbated the problem of policy harmonization.

The following are some concluding points which should be of major concern in the Canada-U.S. free trade talks.

1. There appears to be growing protectionism in the United States. This is manifested, for example, by the imposition of countervailing duties on exports of Canadian hogs to the U.S. market, by proposals to bring dumping actions against the Saskatchewan potash industry, by the quota threat on uranium shipments to the U.S. market, and by the recent 15 percent countervailing duty on softwood lumber. Unfortunately, these actions are largely due to the depressed nature of the competing industries located in the United States. When industries are depressed, a natural tendency is to bring trade actions against competitors.

2. Countervailing duty action requires that the United States determine the extent to which the Canadian industry is being subsidized and that injury has been caused to the affected domestic industry. In their ruling against exporters, the extent of the subsidies in the United States does not enter into deliberations. However, as stressed in this paper, the U.S. subsidizes many of their industries to a greater extent than does Canada.

3. In agriculture, U.S. subsidies far exceed those in Canada. As a result, economic distortions for certain U.S. commodities are likely greater than than those that exist in Canada, despite the presence of supply managed marketing boards which affect interprovincial and international trade. Currently, as a result of the 1985 Act, the United States grain sector receives substantially greater subsidies than does the grain sector in Canada. Schmitz and Carter estimate that the economic loss to Canadian prairie producers resulting from this 1985 policy exceeds $1 billion annually. They further conclude that this is at least 10 times greater than the net cost to Canadians, excluding dairying, of supply managed boards in Canada and is at least 5 times greater than the estimated potential gains from freer U.S.-Canada trade in agriculture.

4. The role of GATT is to promote freer trade internationally. Agriculture has not fared well under GATT and, perhaps, this is why there is considerable interest in Canada and the United States for dealing directly in promoting freer trade between the two countries.

5. Many of the problems facing Canadian farmers are also a result of EEC subsidies and other distortions world wide. It is important to emphasize the potential gains to be had through cooperation in the international market where the United States and Canada are in competition. Perhaps the greatest payoff from free trade talks between Canada and the United States will be an attempt to harmonize policies and increase cooperation when dealing with export markets in which they compete. However, the 1985 Food Security Act has magnified the problem of policy harmonization.

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AGRICULTURAL COMMODITY ISSUES IN U.S.-CANADA TRADE LIBERALIZATION

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Background of Trade Liberalization Talks

In late 1987, the U.S. Administration will deliver to the Congress a proposal for liberalizing trade between the U.S. and Canada. Trade liberalization discussions began in late 1985 at the behest of Canadian Prime Minister Brian Mulroney and U.S. President Ronald Reagan. In August 1986, the Congress granted "fast track" negotiating authority for the trade talks. This authority expires in January 1988, and the agreement will have to be submitted to Congress 90 days in advance of the expiration date. Both houses of Congress by majority vote will have to accept or reject the proposal in its entirety--without amendment.

The negotiations began with the understanding that "everything is on the table." All business sectors are being considered, including industrial products, financial and information services, other services, and agriculture. The breadth of negotiations and tight schedule leave little time for detailed negotiation on an individual commodity basis. Exhaustive economic analysis of trade liberalization impacts is likewise unlikely to be completed before the 1987 deadline. For these reasons, some observers suggest that an across-the-board agreement might be negotiated to eliminate, for example, all barriers and tariffs without regard to specific sectors or commodities. Implementation details might be left up to a bilateral commission, and the changes could be phased in over a period as long as a decade.

Nonetheless, a number of agricultural commodity and policy issues are at stake in the negotiations. Agriculture accounts for only 5 to 10 percent of U.S.-Canada trade, and bilateral tariffs on agricultural products are, for the most part, low (2). Domestic agricultural policies and programs are more important determinants of trade. These programs vary widely between the two countries, but in many cases depend upon some type of non-tariff trade restriction, such as quotas or import licenses, in order to function effectively. The importance of agricultural exports to both countries, and a variety of stabilization, income support, price support, and supply control/management schemes in both countries will complicate negotiations. Consequently, agriculture is frequently mentioned in terms of being "pulled from the negotiating table." In the following pages we review the status of a variety of agricultural commodities in terms of current bilateral trade, domestic programs, and trade restrictions, and speculate as to what might happen under trade liberalization.

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Note: Opinions expressed in this article are the authors', and not necessarily those of the U.S. Department of Agriculture.

Impacts of Trade Liberalization on Commodities 1/

Grains and Oilseeds

Both the U.S. and Canada produce grain in excess of domestic needs and sell into similar world markets. The United States is a net importer of grain and grain products from Canada. These imports consist primarily of feeds, fodders and bakery products. U.S. tariffs on these products range from zero to 10% for most animal feeds and from zero to 15% for bakery products. U.S. tariffs on most grains have not been prohibitive of trade; consequently, tariff removal would not likely result in any significant increase in U.S. grain imports from Canada. However, longstanding U.S. policy permits import limitations of any product, such as grain, if its importation interferes with price support programs. Significant barriers to trade in grains exist on the Canadian side in the form of import licensing requirements for wheat, barley and oats. These licenses are granted only when domestic supplies are considered to be inadequate. Easing import licensing requirements could produce some increases in Canadian imports of U.S. feed grains. However, because both countries are grain exporters, the potential for any significant expansion of bilateral grain trade is not large.

Freight rate subsidization is an important Canadian policy that affects bilateral grain trade. The subsidized freight rates under the Western Grain Transportation Act (WGTA, formerly the Crow Rates) promote exports of western Canadian grain to offshore markets and to certain U.S. regions; the United States has protested that these freight rates are a form of export subsidy. Removal or reduction of the WGTA subsidy would result in more grain being retained in the West, leading to an increased livestock production, and, possibly, increased exports of fed cattle and beef to the United States. Removal of the freight subsidy on western grains would also benefit feed grains from the U.S. Corn Belt which could take advantage of their locational advantage in serving the Quebec and Maritimes markets.

U.S. grain programs that provide direct or indirect support for prices and incomes may affect bilateral grain trade. These programs include the nonrecourse loan program, the grain reserve program, acreage reduction program, and target price/deficiency/diversion programs. Authority to impose import quotas on grain covered by a domestic program is provided through Section 22 of the Agricultural Adjustment Act of 1933 and is legal under the GATT waiver. This authority was last used to restrict grain imports in 1974. Indirect support to grain producers is also provided by government subsidization of inland waterway and irrigation projects, but is a smaller component of total support than the freight subsidies in Canada.

Wheat--Removal of the U.S. tariff would have a negligible effect on wheat trade between the U.S. and Canada; tariffs are not the major factor determining the movement of wheat across the border. Exchange rate shifts of 20 percent or more since the early 1970s have far outweighed the U.S. tariff rate of 5 to 8 percent. The Canadian product also enjoys a transport cost advantage in some U.S. regions near the border. On the Canadian side, tariffs are not the binding barrier; rather, the Canadian Wheat Board (CWB)'s import

1/ Trade data used in this paper are from the U.S. Bureau of the Census.

licensing requirement prohibits U.S. wheat from entering that market. Canada operates a Two Price Wheat Policy that sets the domestic mill price of wheat equal to the export wheat price as long as it falls between a floor price and a ceiling price (the current range is $Can 6.00 to $Can 11.00 per bushel). This policy would be difficult for the Canadians to maintain if import licensing requirements were removed. If food wheat were priced above the export price (i.e., the floor price were in effect), then an incentive would exist for Canadian millers to import wheat from the U.S. If import licensing were abolished, the two-price wheat policy would have to be revised, or at least the floor price provision would have to be eliminated.

Removal of trade barriers could affect the operations of the Canadian Wheat Board, which now enjoys a monopoly position as an exporter of western Canadian wheat and supplier of grain to the domestic food market. The CWB also controls access to the grain handling system. The extension of subsidized freight rates to grain shipments destined for the United States has led to increased shipments of Canadian wheat and wheat products into the U.S. Pacific Northwest and has been the source of complaints by U.S. producers. Negotiation of a reversal of this policy would likely return shipments of Canadian wheat and other grain products to their pre-1983 levels.

<u>Corn</u>--Canada is a small producer of corn, while the United States is the world's largest corn producer. Canadian corn production has been rising as short-season varieties have been developed. Eastern Canada, once a feed-deficit area, is approaching feed grain self-sufficiency and Ontario is now a net exporter of feed grains. Both countries' tariffs on corn are already low, having been reduced as a result of the Tokyo Round of the Multilateral Trade Negotiations (MTN). As a result, the benefits of further tariff reductions will probably be small. As with wheat, domestic policies are more important determinants of trade than tariffs. In Canada, Feed Freight Assistance (FFA) provides freight subsidies for feed grains shipped to feed deficit areas in British Columbia, the Atlantic Provinces and eastern Quebec. Grains from the Prairies also benefit from WGTA-subsidized freight rates for shipment to Thunder Bay. As a result, U.S. corn is not competitive with Ontario corn and western Canadian feed grains in many eastern Canadian markets. Elimination of freight subsidies would make some western feed grains noncompetitive with imported feed grains from the eastern U.S. corn belt, leading to increased U.S. exports of feed grains (primarily corn) to eastern Canada.

U.S. policies that affect corn production and trade include price and income support through the nonrecourse loan program, the grain reserve program, and the target price/deficiency/diversion payment program. The Ontario Corn Producers' Association recently filed a countervailing duty case against corn imports from the United States, claiming that U.S. corn exports are subsidized as a result of these programs. Given the U.S.' enormous corn production, it is unlikely that the U.S. would import corn from Canada in any significant quantities as a result of freer trade.

Barley--Barley tariffs will also be reduced by both countries (to 5¢ per bushel) in 1987 as a result of the MTN. Import licensing requirements in Canada are the binding constraint to increased barley imports, rather than tariffs. Tariff reduction could produce a small increase in U.S. barley imports; higher export levels would depend on the extent to which import licensing requirements were liberalized. Some U.S. barley could be shipped to feed-deficit British Columbia if Canadian freight subsidies were eliminated.

Oilseeds and products--The United States is a net exporter of oilseeds and oilseed byproducts to Canada; soybeans and soybean meal are the most important U.S. exports in this category. Canada ships mostly rapeseed meal to the United States. U.S.-Canadian oilseed trade is subject to relatively few restrictions; soybeans and soybean meal are imported free of tariff by Canada, but the United States taxes imports of rapeseed and rapeseed products from Canada. Both countries impose a 10-percent tariff on crude vegetable oil (not re-exported), which will be reduced to 7.5% in 1987. The 1985 FDA ruling granting rapeseed oil GRAS (Generally Recognized As Safe for human consumption) status has removed a significant barrier to increased U.S. imports of rapeseed and rapeseed oil. Low Canadian freight rates to the U.S. border further aid rapeseed exports. Canadian rapeseed benefits from coverage under the Western Grain Stabilization Act; U.S. soybeans are covered by the nonrecourse loan program, although loan rates have in most years been below market prices and therefore ineffective.

Eliminating tariffs on oilseeds and products would probably increase trade minimally, except for oil. Removal of the tariff on soy oil would help U.S. soy oil compete with rapeseed oil in the eastern Canadian market. Canadian transportation policies that subsidize movement of rapeseed and its products have a substantial influence on bilateral trade. These subsidies help rapeseed move to eastern Canada, which is geographically closer to the U.S. soybean producing area, and have helped move Canadian rapeseed meal into the northwestern U.S. market.

Livestock, Dairy and Poultry

Live animals and animal products are the largest U.S. agricultural import from Canada and the second-largest U.S. export to Canada. U.S. imports from Canada are small relative to domestic consumption; this measure is slightly higher for Canada.

Dairy products--U.S.-Canadian trade in dairy products is small; the dairy sectors in both countries are highly protected and enjoy high levels of government support. Both countries impose tariffs on dairy products, but tariffs are not the principal constraint to trade. Imports of dairy products into the U.S. are restricted primarily by import quotas and permits; Canadian dairy imports are restricted by quotas, prohibitions and import permit requirements. Fluid milk imports into Canada are proscribed by health and sanitary regulations and import licensing requirements, and in the U.S. by marketing order regulations and quotas.

The distortions imposed on both countries' dairy sectors by import restrictions, production support and surplus disposal will make free trade in dairy products difficult. The U.S.' price support/purchase program for

manufacturing milk has at times produced large surplus stocks of dairy products; these stocks could pose a difficult problem if the border were opened. The sizes of the respective dairy sectors are such that making U.S. dairy stocks eligible for liberalized trade could seriously disrupt Canadian dairy production. Canada supports its dairy sector through a support price and offer-to-purchase program for manufacturing milk products and production quotas for fluid milk. Support levels in Canada are partially tied to the cost of production and are the second-highest government outlay on agriculture. Measures of protection calculated in a number of studies provide evidence that dairy is more highly protected in Canada (although the differences between the U.S. and Canada have probably narrowed since these measures were calculated) (1, 3).

Freer dairy trade would likely disrupt both countries' price support programs. Assessing the relative competitiveness of the two dairy sectors is difficult because of a long history of high price supports in both countries. The U.S. dairy program differs from the Canadian program in several respects. It provides no guarantee that returns will be equal to or greater than the cost of production, and, until recently, did little to restrict output. As a result, U.S. dairy producers have had greater incentives than their Canadian counterparts to minimize costs and increase output since there is little or no penalty for "overproduction". The Canadian dairy program imposes limits on dairy output by means of production and marketing quotas; any additional production can only be marketed at a penalty to the producer. The pricing formula for manufacturing milk has a cost-of-production guarantee built in. Marketing quotas that restrict output and pricing based on cost-of-product formulas tend to drive up costs in Canada relative to the United States. Additionally, capitalization of quota values in Canada tends to push asset costs up and will, at least initially, make Canada a higher-cost producer than the United States. These factors point to an initial, short-term competitive advantage by the United States in bilateral dairy trade.

Fluid milk--Regional differences in costs and efficiencies could produce some trade in both directions. Quebec lies within the dairyshed of New York City and could ship dairy products into the northeastern U.S., while the upper midwestern U.S. (particularly the states of Wisconsin and Minnesota) would probably have a cost advantage in shipping dairy products to western Canada and parts of eastern Canada. An increase in fluid milk trade would require relaxation of health and sanitary regulations on both sides. In terms of net trade, an increase of fluid milk exports into the United States could be expected, since the Quebec-to-Northeast shift would be larger than the Upper Midwest-to-western Canada shift because of the population and market sizes in the two regions.

Cheese--Shifts in imports/exports are difficult to estimate because of quality differences. Cheese demand has been rising in both countries, but the growth has occurred primarily in specialty, fancy and imported cheeses. Growth in demand occurred despite restrictive trade barriers and trade policies that make imported cheese expensive relative to the typical domestic product in both countries.

Both countries have quotas that restrict cheese imports. U.S. shipments of cheese to Canada account for only 6% of Canada's global quota of 20,400 metric tons (60% of which is reserved for the EC). Canada's global quota has not

increased since 1978, while domestic consumption has continued to expand. The United States sets a quota on cheese by country and type of cheese based primarily on historical volumes. U.S. quotas allow approximately 2,000 metric tons of cheese to be imported from Canada, representing only 2% of total 1980 cheese imports under quota. Demand for cheese is generally assumed to be relatively elastic, and tariffs are a significant part of the consumer's cost of cheese. A reduction in price resulting from tariff removal, with accompanying quota relaxation, could lead to significant increases in consumption in both countries. Both countries produce large quantities of cheddar-type cheeses, as well as a large variety of specialty cheese, and trade should respond favorably to improved marketing opportunities on both sides of the border.

Live cattle--Trade in live cattle is essentially free of tariffs and quotas, with a tariff of 1¢ per pound on both sides of the border, producing *ad valorem* equivalent levels of an estimated 1.3% for the U.S., and 1.2% for Canada. A North American market exists for cattle with prices largely determined in the United States. Both countries have a variety of health and sanitary restrictions governing trade in live cattle, which can and do pose a barrier to trade. U.S.-Canadian trade in live cattle is differentiated by class of live cattle and by region. Trade in both directions is currently dominated by slaughter cattle. Slaughter cattle from Canada are mostly non-fed, while Canada's imports from the U.S. are primarily fed slaughter cattle. Net trade in all classes of live cattle has grown increasingly in Canada's favor over the last 3 years.

The current Canadian positive balance of trade in live cattle primarily reflects the strength of the U.S. dollar rather than cost-competitiveness or large subsidies on production. Until 1986, cattle production was covered under the Federal Government's Agricultural Stabilization Act, but a sizeable stabilization payment has not been made to cattle producers since 1977/78. Provincial stabilization plans have also provided support to Canadian cattle producers; cattle stabilization plans are in effect in British Columbia, Manitoba and Saskatchewan, and a feed assistance plan provides support to Alberta cattle producers. Some of the provinces have agreed to a tripartite red meat stabilization plan proposed by the Federal Government, which was initiated this year. Stabilization plans may have had some role in giving Canadian cattle producers an edge in the North American market, but their impact has probably been minor. Provincial stabilization plans do not cover 100 percent of Canadian cattle production, and are usually partially producer-funded; payouts are made intermittently and in response to market conditions. Because of the length of the cattle cycle, it it unclear whether a cow-calf operator would respond to uncertain stabilization payments in formulating his production decisions.

Domestic programs for other commodities that may come up in free trade negotiations could have an indirect impact on trade in live cattle. The WGTA freight subsidy on export grains tends to make feed grains more expensive in the Prairies; reducing or eliminating the freight subsidy would favor expansion of the cattle industry in western Canada. In the U.S., the grain program can act as a tax or a subsidy to the cattle sector, depending on the level of grain prices. When the loan rate for feed grains exceeds the market-clearing or equilibrium price, a tax is imposed on the cattle industry

by higher input costs. However, the grain reserve provides a kind of insurance against too-high grain prices by releasing grain when prices are high. Thus a free trade arrangement that revised the U.S.' grain price support program could expand U.S. cattle production if it meant lower feed costs for cattle producers. Similarly, if feed grains become cheaper in the western Canadian livestock producing areas due to removal of import barriers, more fed cattle would be produced and exported. Bilateral trade in cattle will be strongly influenced by structural changes in the cattle industry in both countries; these factors may play a greater role in determining trade than changes in border measures.

Beef and veal--The *ad valorem* equivalents of unit tariffs are identical for both countries--2.4 percent of import (unit value) price. U.S. and Canadian prices for beef and veal tend to move together; because the tariff is small, tariff removal alone should have only a small impact on two-way trade. U.S. imports of beef and veal are subject to the Meat Import Law, which establishes a global quota for beef and veal imports. Quotas are seldom invoked, because Voluntary Restraint Agreements, by which the exporter agrees to limit meat shipments to the U.S., are negotiated as needed to avoid implementating the quota. A Voluntary Restraint Agreement was last in effect between the U.S. and Canada in 1982. Canada also has a meat import law, which was last invoked in 1985, and was applied only to manufacturing beef from the U.S. The United States ships primarily high-quality beef to Canada for the hotel, restaurant and institutional trade. Bilateral meat trade is therefore governed largely by market conditions on both sides of the border, but may be self-limiting due to the threat of imposition of quotas.

Provincial stabilization programs provide support to cattle/beef producers in Manitoba, Saskatchewan and British Columbia. There is little evidence on the extent to which these programs provide an incentive to increased beef production. Trade in beef and veal will be affected by many of the same factors that determine trade in live cattle. To a certain extent, trade in live cattle may substitute for beef trade, and expanding bilateral trade in one area may cause a slight reduction in the other. Beef and veal exports from Canada will also depend on the cost structure of their packing industry, which has suffered from high labor costs and generally poor economic conditions.

Pork and hogs--The trade balance in pork and live hogs is now heavily in Canada's favor. U.S. imports of live hogs and pork have been a source of controversy between the United States and Canada for the last two years. In 1985, the United States imposed a countervailing duty on live hog imports from Canada in response to a finding that Canada's live hog exports were subsidized and had injured U.S. producers. Tariffs on live hogs and fresh, chilled and frozen pork had been eliminated under the MTN and reduced on many other pork products. Prior to imposition of the countervailing duty, border measures did not significantly impede trade in pork. Both countries maintain various health and inspection requirements. Canada requires that imported hogs be quarantined for 30 days to prevent the introduction of pseudorabies; this restriction effectively eliminates U.S. exports of slaughter hogs to Canada. A negotiated reversal of the countervailing duty would doubtless return U.S. hog imports to their higher pre-tariff levels.

Poultry and eggs--Canada imports some U.S. poultry and eggs. No concessions were made under the MTN, and both countries maintain tariffs on poultry and eggs. Both countries require that imports come from inspected plants and conform to processsing and health requirements. Poultry and egg production in the United States is relatively unaffected by government policy. Canadian chicken, turkey and table eggs are regulated by national supply management plans that set production quotas, establish prices, and maintain import quotas, resulting in huge transfers from Canadian consumers to poultry and egg producers. Free trade and Canadian supply management programs are incompatible; Canadian producers are currently not competitive in either U.S. or third country markets. If Canada lifted its import quotas, increasing U.S. exports could force Canada to change its supply management programs, significantly altering the structure of the Canadian industry.

Horticultural Products

The balance of trade in fruits, vegetables and nuts is strongly in the United States' favor. Canada is the largest market for U.S. fresh fruits and vegetables, and its imports often substantially exceed domestic production. Canadian exports to the United States are small relative to total U.S. production. Canada has a relatively short growing season for its fruits and vegetables and frequently applies seasonal tariffs to reduce heavy U.S. competition. Surtaxes are assessed by Canada on imports of some horticultural products when import prices fall below predetermined trigger prices. Some Canadian vegetable exports have made inroads into the northeastern U.S. market; U.S. tariffs on these products averaging 5 to 10% have not materially restricted this trade.

U.S. processors contend with a multitude of regulations and regulatory bodies in Canada governing packaging and labeling. Metric packaging restrictions and bilingual labeling requirements are an added requirement for exporting processed horticultural products to Canada. Health and sanitary regulations may also constitute a barrier to Canadian imports of U.S. products. U.S. tariffs on some fruits are scheduled to be reduced or eliminated in 1987 as a result of the MTN. Tariffs on potatoes will be lowered and equalized between the two countries. U.S. law requires that imports meet the same standards of grade, size and maturity that apply to the domestic product under marketing orders. This restriction affects only potatoes and onions from Canada.

Free trade in horticultural products would likely lead to an expansion of U.S. exports of fruits and vegetables (particularly fresh) to Canada. Free trade would thus reduce the power of provincial fruit and vegetable marketing boards to negotiate prices and to control market flow. Potatoes move across the border in both directions--from New Brunswick and Prince Edward Island into the northeastern United States and from the northwestern United States into western Canada. Barring a realignment of the exchange rate, current patterns of trade would be reinforced by a relaxation of border restrictions.

Sugar and Sugar Products

Both countries import raw sugar from third countries and export refined and processed products to each other and to third countries. Canadian raw sugar imports are unrestricted, and tariffs are low. U.S. producers receive support prices higher than world prices and are protected from cheaper imports through duties, fees and, since 1982, country-by-country quotas.

Removal of U.S. current quotas on sugar and products would benefit Canadian exports, especially at current low world prices. Although Canada is a small sugarbeet producer and has limited refining capacity, lifting U.S. trade restrictions could induce a flood of refined sugar imports and sugar products into the United States that could severely disrupt the U.S. sugar program. Safeguards such as maximum access levels to the United States based on Canadian domestic production are a possible solution to the transshipment problem.

Other--Wine and Malt Beverages

Trade in malt beverages (beer and ale) and wines is subject to significant tariff and nontariff barriers. The United States is a net importer of these products from Canada; these imports are dominated by beer; wine imports from Canada are negligible. Canada is the largest market for U.S. wine exports.

While tariffs are high relative to other food items in both directions, nontariff barriers effectively limit U.S. access to the Canadian market for beer and wines. Distribution of alcoholic beverages in Canada is controlled by provincial liquor control boards whose monopoly privileges permit discriminatory practices that hurt U.S. exports. Differential retail markups that are much higher on imported beers and wines than on the locally-produced or domestic product are a common practice in some provinces. Some provinces also assess per-bottle handling surcharges on imported wines. Mixing regulations limit the foreign grape content of Ontario and British Columbia wines, and,except in years of shortages, provide Ontario with authority to virtually ban imported imported grapes for winemaking.

Elimination of discriminatory practices by provincial liquor boards under liberalized trade would likely expand U.S. exports of wine and grapes for winemaking to Canada. Removal of import protection could hurt Canada's domestic wine industry. Grape production in particular would suffer if borders were opened to U.S. grapes for blending purposes. Eliminating tariffs on Canadian alcoholic beverages would produce only a small increase in U.S. imports, because tariffs are a small part of the total price to U.S. consumers (tariffs are imposed on the border price; domestic taxes add significantly to the price the consumer pays).

Summary and Conclusions

A few broad patterns emerge from this review of agricultural commodity trade between the U.S. and Canada. U.S. agricultural exports to Canada tend to be dominated by products Canada does not produce, or that it produces during a short season, such as fruits and vegetables. Imports that compete with Canada's domestic production, such as livestock, meat products, feedgrains, and oilseed products tend to be relatively small in scale. U.S. imports from Canada tend to be competitive products, such as livestock, meat products, grains, and grain products.

Most trade shifts and trade disputes in recent years appear to have arisen from the relatively high value of the U.S. (with respect to the Canadian) dollar, which has placed U.S. products and producers at a disadvantage

relative to their Canadian counterparts. This suggests that macroeconomic factors such as exchange rate shifts have had a greater effect on recent bilateral trade adjustment than trade barriers or inherent absolute or comparative advantage.

Domestic policies and border measures have the effect of thwarting what would probably be the "natural" flow of products north and south across the border, rather than shipment across long east-west distances within each country. Commodities with relatively few barriers are traded liberally between adjacent regions across the border.

Trade barriers and domestic support programs are inextricably linked for many commodities. That is, it will be difficult, if not impossible, to eliminate many trade restrictions without overhauling support programs. For most commodities, trade barriers between the U.S. and Canada are minimal, and eliminating them would have little aggregate impact. In localized geographic areas, and for commodities with a thin market, the impacts could be greater. Domestic support programs in both countries affect prices and producer returns, and thus tend to alter resource allocation, production decisions, and--particularly in Canada--the spatial pattern of production. Changing these support programs will likely induce greater agriculture sector adjustments than will come from eliminating the trade restrictions alone.

There exists a wide variety of trade liberalization issues across the range of individual agricultural commodities. These result in part from differences in absolute and comparative advantage in production between the U.S. and Canada. More significantly, they follow from the patchwork quilt pattern of domestic support programs and trade barriers which have evolved over the years with such diverse purposes as supporting or stabilizing farm prices and incomes, encouraging development of western territories, ensuring a secure food supply, and protecting domestic producers. It is unlikely that any two commodities will be affected similarly by trade liberalization.

In this paper some of the diverse conditions and potential impacts under trade liberalization for individual agricultural commodities have been reviewed. The commodity-level issues are complex and difficult, and will have to be addressed in any trade liberalization process--either during the negotiation phase, or later during an implementation phase.

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NORTH DAKOTA FARMERS' VIEWS ON FINANCIAL ASSISTANCE POLICIES

by

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Discussions of agricultural policy since the 1930s have generally centered on price support and supply control features of various commodity programs (Guither). In recent years, however, falling commodity prices, excessive debt loads, high interest rates, and declining land values have combined to focus attention on another type of agricultural policy--assisting financially stressed producers. Many farm and ranch operators are experiencing the most severe financial crisis since the 1930s, and policymakers are becoming increasingly aware that these problems may require more than commodity programs (Extension Service). As a result, attention is being directed toward policies specifically designed to assist farm operators whose debt loads have become unmanageable.

Numerous programs to assist financially stressed operators have been proposed at both national and state levels. At the federal level, Congress recently enacted the Farm Credit Amendments Act of 1985, which established mechanisms by which federal aid could be provided to the Farm Credit System (Todd). Also, since late in 1984, the Farmers Home Administration has been authorized to offer deferrals of principal payments and interest rate subsidies to qualifying borrowers. The United States Department of Labor also has begun to address the special job training and placement needs of displaced farmers and agribusiness workers with pilot programs in several states.

At the state level, a wide variety of assistance alternatives also have been debated. Several states have established programs to subsidize interest rates on operating loans, have examined plans to provide for state participation in restructuring land debt, or are establishing special programs to assist displaced farmers in obtaining additional education or job training (Maixner). Many other policy options have been discussed, and the debate concerning the most appropriate responses to current farm financial problems continues both in Congress and in state capitols around the country.

This article examines attitudes of farm and ranch operators toward various forms of financial assistance which could be implemented by federal and/or state governments. It also examines the extent to which various personal, farm, and financial characteristics influence operators' attitudes toward financial assistance programs. Information concerning farm operators' views and characteristics was obtained from a random telephone survey of North Dakota farmers and ranchers conducted in March 1986. A total of 759 farmers responded to the survey for a response rate of 88 percent. Initial screening questions were incorporated to ensure that all respondents were less than 65 years old, were operating a farm, considered farming to be their primary occupation, and sold at least $2,500 of farm products in 1984. A comparison of selected characteristics of the 1986

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survey respondents with data from the 1982 Census of Agriculture for North Dakota indicated that the sample is representative of those North Dakota farms whose operators consider farming to be their principal occupation. Leistritz et al. (1986a) provides a more detailed discussion of this comparison.

CHARACTERISTICS OF SAMPLE FARMERS

The discussion of farmers' attitudes toward financial assistance policies is, in part, centered around selected financial characteristics of the respondents (Table 1). One of the better indicators of the financial

Table 1. Selected Financial Characteristics Of North Dakota Farm Operators

Item	Percent of Farmers
Debt-to-asset ratio (January 1, 1986):	
No debt[a]	18.2
0.1 to 40 percent	41.4
41 to 70 percent	23.5
71 to 100 percent	11.7
More than 100 percent	5.2
Status with respect to debt payments (March 1986):	
No debt[a]	17.6
Current	64.2
Not current	18.1
Net cash farm income (1985):	
Negative	19.1
Zero	4.7
$1 to $4,999	10.5
$5,000 to $9,999	13.3
$10,000 to $19,999	24.9
$20,000 and over	27.5

[a]Because of minor differences in the number responding to different questions, small differences in percentages will be noted.

health of a farm business is the debt-to-asset ratio. The larger this ratio, the greater the probability that the farmer will experience cash flow difficulties during periods of low returns and high interest rates such as have been experienced during the 1980s. At current prices, input costs, and asset values, most commercial farms begin to experience difficulty meeting principal repayment commitments at debt-to-asset ratios of about 40 percent (Johnson, Baum, and Prescott; Leistritz et al. 1986b). A more critical point is reached when the debt-to-asset ratio exceeds 70 percent. Above this point, most farms have difficulty meeting even their interest payments and other current expenses.

Examination of Table 1 reveals that 23.5 percent of North Dakota farm operators had debt-to-asset ratios between 41 and 70 percent while 16.9 percent had ratios over 70 percent. In fact, 5.2 percent had ratios exceeding 100 percent, indicating that their total debts exceeded the value of their assets. Thus, about 40 percent of the respondents have

debt-to-asset ratios in the ranges generally associated with considerable financial stress.

Another indication of financial stress is the inability of the operator to meet scheduled payments of principal and interest on loans. As indicated in Table 1, 18.1 percent of the respondents (or 22 percent of those with debt) reported that they were not current on their loan payments.

The operator's cash return after current expenses and depreciation is reflected by net cash farm income. About 24 percent of the respondents reported that their net cash farm income in 1985 was zero or negative. On the other hand, 27.5 percent reported net cash farm income exceeding $20,000.

A measure of the ability of farm families to meet immediate financial obligations is provided by subtracting an allowance for family living expenses from total family income. The average total family income reported by the survey respondents for 1985 was $25,245, of which net cash farm income made up $15,958. The family living expense allowance was intended to reflect minimum levels for such expenses and was based on information obtained from the Farm Financial Analyst Program of the North Dakota Cooperative Extension Service. These minimum levels of family living expenses were $6,000 for a single individual, $8,000 for a two-person household, and $12,000 for a household of three or more. These values are also quite similar to the poverty income thresholds for families of these respective sizes.

The results of this analysis are shown in Table 2. About 36 percent of the farm operators surveyed did not have enough income in 1985 to cover current expenses and a capital replacement (depreciation) allowance. On the other hand, 26 percent of the respondents had $20,000 or more remaining after covering these costs.

Table 2. Total Family Income Less Family Living Expenses for North Dakota Farmers, 1985

Item	Percent of Farmers
Total family income[a] less family living expenses (1985):	
Negative or zero	36.4
$1 to $4,999	14.5
$5,000 to $19,999	23.0
$20,000 and up	26.1

[a]Total family income is the sum of net cash farm income and nonfarm income. Major sources of nonfarm income were earnings from off-farm employment, income from savings and investments, and mineral lease payments.

To summarize, the financial characteristics of the farmers surveyed reveal the heterogeneity of the commercial farm sector in the 1980s. Whether debt-to-asset ratio or various income measures are examined, it can

be concluded that a substantial group of operators are facing severe financial pressure while many others are in relatively secure positions.

ATTITUDES TOWARD FINANCIAL ASSISTANCE

Survey respondents were asked whether they felt farmers in financial trouble should receive help from the federal and/or state government; possible responses were strongly agree, agree, neutral, disagree, or strongly disagree.

Table 3. Farmers' Attitudes Toward Federal and State Financial Assistance, 1986 (in Percent)

Source of Aid	Agree[a]	Neutral	Disagree[b]
Federal	39.3	26.1	34.6
State	31.3	24.7	44.1

[a]Includes responses of strongly agree and agree.
[b]Includes responses of strongly disagree and disagree.

Examination of Table 3 reveals considerable division of opinion concerning the appropriateness of governmental assistance to farmers encountering financial difficulty. About 39 percent of the respondents agreed that the federal government should provide assistance, but 35 percent disagreed. Only 31 percent agreed that the state should provide assistance while 44 percent disagreed.

Farmers who favored aid from one level of government generally tended to also favor aid from the other level (Table 4). For example, of the farmers who agreed that federal assistance was desirable, about two-thirds favored state aid, but about 22 percent disagreed with the concept of state assistance. Many of these farmers commented that the state's resources were not adequate to undertake such an effort.

Table 4. Farmers' Attitudes Toward Financial Assistance From Federal Government and State Government, 1986

Federal Government Assistance	State Government Assistance			
	Agree	Neutral	Disagree	Total
	---percent---			
Agree	66.8	11.2	22.0	37.7
Neutral	8.9	71.4	19.8	27.0
Disagree	6.4	4.4	89.2	35.3
Total	29.8	25.0	45.1	100.0

Some financial characteristics of producers who favored federal and state aid are summarized in Table 5. A definite relationship between a farmer's debt-to-asset ratio and attitudes toward assistance from either source is apparent. Less than one-fourth of the operators in the no debt category were in favor of assistance from each source, but more than half

Table 5. Farmers' Attitudes Concerning Federal and State Financial Assistance by Selected Financial and Personal Characteristics, 1986

Item	Percent of Farmers in Group Who Favor:[a]	
	Federal Aid	State Aid
Debt-to-asset ratio:		
No debt	24.2*	21.1*
0.1 to 40 percent	30.1	21.2
41 to 70 percent	46.0	35.8
71 percent and greater	59.5	51.6
Status with respect to payments on debt:		
No debt	24.2*	21.1*
Current on payments	34.4	25.7
Not current on payments	62.3	53.4
Net cash farm income:		
Negative or zero	51.6	36.4
$1 to $9,999	46.1	36.4
$10,000 to $19,999	35.4	28.3
$20,000 and greater	29.1	23.5
Total family income less family living expenses:		
Negative or zero	44.2	36.8
$1 to $19,999	38.3	28.4
$20,000 or greater	32.2	23.2

[a]Includes respondents who "strongly agree" or "agree" that the federal (state) government should assist farmers who are in financial trouble.
*Indicates that relationship is significant at the 1 percent level using chi square (X^2) test.

of those with debt ratios exceeding 70 percent agreed with aid from each source. A very similar pattern can be noted with respect to the operator's status on debt payments. More than half of the operators, who were not current, were in favor of state aid, and nearly two-thirds agreed with federal assistance. It is also interesting to note, however, that even in the highest debt categories a substantial percentage of operators do not favor aid from either federal or state sources.

Two other financial variables reinforce this association. A relationship between net cash farm income and attitude toward aid is also apparent from Table 5, particularly with respect to federal assistance. The variable, total family income less family living expenses, also appears to be associated with these attitudes; operators whose family income was inadequate to cover living expenses were more likely to favor aid than operators with higher income levels. This relationship, however, is not as pronounced as for the other financial variables.

Other variables were also examined to determine whether they exhibited a strong association with farmers' attitudes. While some variations were evident among regions of the state, a clear pattern did not emerge. Some association appeared to exist between education and farmers' attitudes toward state aid; the more highly educated operators were generally less favorable to state assistance. Little relationship appeared to exist between education and the attitude toward federal assistance. Likewise,

little variation was found between operators of cash grain farms and those for whom livestock was the major source of income.

In order to more fully assess the influence of different personal and financial characteristics on farmers' attitudes toward financial assistance policies, multiple discriminant analysis was employed. Discriminant analysis is similar to multiple regression except that the dependent variable is group membership. In this case, those who agreed or strongly agreed with federal (or state) assistance were assigned to one group while those who disagreed or strongly disagreed were assigned to the other. The stepwise discriminant analysis technique was then used to determine which of a group of potential explanatory variables were statistically significant in differentiating group membership. In this analysis, the operator's age and educational attainment were used as possible explanatory variables along with the four financial variables discussed earlier.

The results of the discriminant analysis indicated that status with respect to debt payments and the debt-to-asset ratio were significant in explaining operator's attitudes toward both federal and state assistance. Those who were not current on debt payments and those who had high debt-to-asset ratios were more likely to favor assistance, other things equal. Operator's age was significant in explaining attitudes toward federal assistance; i.e., older operators were more likely to favor such aid. Operator's educational level was significant in explaining attitudes toward state assistance; more highly educated farmers were more likely to disagree with the concept. Leistritz et al. (1986a) provides a more detailed discussion of this analysis.

PREFERENCES FOR SPECIFIC FORMS OF FINANCIAL ASSISTANCE

Survey participants who were in agreement with the general concept of federal or state aid to farmers were also asked whether they would be in favor of four specific forms of financial aid. The four types of assistance specified were

1. Federal (state) government's providing financial assistance to financially troubled agricultural creditors either directly or through loan guarantees,
2. Federal (state) government's subsidizing interest rates on operating loans,
3. Federal (state) government's participating with creditors and farmers in restructuring land debt, and
4. Federal (state) government's providing low-interest loans or grants to financially stressed farm families for vocational training or college in preparation for a new occupation.

Although the range of financial aid measures that have been discussed at federal and state levels is extensive, it appears that these four alternatives are representative of most of the assistance plans that are receiving serious consideration (Brake, Boehlje, and Lee).

Farmers' overall ratings of the four forms of assistance are summarized in Table 6. It should be noted that <u>only</u> farmers who said that

Table 6. Support for Specific Forms of Financial Assistance by North Dakota Farmers Favoring Assistance, by Debt-To-Asset Ratio, 1986

Form of Assistance	No Debt	0.1 to 40 Percent	41 to 0 Percent	71 Percent and Greater	Total
	--------	--------	percent[a]	--------	--------
Federal					
Assistance to agri. creditors	86.4	88.5	87.0	84.4	86.3
Interest subsidy on operating loans	44.4	85.2	84.9	95.6	83.3
Participation in restructuring land debt	76.2	85.5	90.3	94.4	89.1
Loans or grants for retraining	88.9	91.5	87.3	91.4	90.4
State					
Assistance to agri. creditors	77.3	81.8	82.5	91.2	84.3
Interest subsidy on operating loans	58.3	87.5	86.0	98.3	86.6
Participation in restructuring land debt	76.2	90.4	94.7	98.4	92.5
Loans or grants for retraining	92.6	91.2	89.5	95.0	91.8

[a]Percentages represent those respondents (1) who "strongly agree" or "agree" that the federal (state) government should assist farmers who are in financial trouble and (2) who would be in favor of the specified form of assistance.

they would agree or strongly agree that government should aid farmers in financial trouble were asked whether or not they would be in favor of any of the four forms of aid. About 54 percent of the farmers would favor all four forms of aid from the federal government while 62 percent would favor all four types of state help. The two most popular forms of aid are participation in restructuring land debt and provision of loans for retraining.

The relationship between farmers' debt-to-asset ratios and their preferences for the different options is also summarized in Table 6. Considering the four types of federal government help, it appears that support for interest subsidies and land debt restructuring is strongly influenced by the respondent's own debt position whereas assistance to creditors and aid for retraining are strongly supported regardless of debt position. The same general relationship appears to hold at the state level although farmers with no debt were somewhat less willing to support aid to agricultural creditors if the source were the state (rather than the federal) government.

The relationship between net cash farm income and preferences for different options is summarized in Table 7. Producers whose net cash farm income was zero or negative in 1985 were inclined to strongly favor all

Table 7. Farmer Support for Specific Forms of Federal and State Financial Assistance, by Net Cash Farm Income, 1986

Form of Assistance	Net Cash Farm Income			
	Negative or Zero	$1 to $9,999	$10,000 to $19,999	$20,000 or More
	----------------percent[a]----------------			
Federal				
Assistance to agricultural creditors	93.1	86.6	89.8	77.6
Interest subsidy on operating loans	92.1	79.1	86.5	75.0
Participation in restructuring land debt	91.8	89.6	88.0	87.5
Loans or grants for retraining	90.9	86.4	90.4	90.4
State				
Assistance to agricultural creditors	86.0	86.0	82.9	78.6
Interest subsidy on operating loans	88.2	90.4	92.9	81.0
Participation in restructuring land debt	94.2	96.1	92.5	90.0
Loans or grants for retraining	89.9	94.4	93.0	90.0

[a]Percentages represent those respondents (1) who "strongly agree" or "agree" that the federal (state) government should assist farmers who are in financial trouble and (2) who would be in favor of the specified form of assistance.

four types of aid while a lower percentage of higher income farmers were in favor of assistance to creditors or interest subsidies. Support for federal participation in debt restructuring and aid for retraining was strong across all income classes. The patterns with respect to state assistance are not as clear, although producers with zero or negative net cash farm income generally tended to favor each of the forms of aid more than higher income operators.

SUMMARY

Assistance to financially stressed farmers and agricultural creditors has become a major agricultural policy issue. Findings reported here suggest that commercial farmers have mixed feelings concerning the appropriateness of such aid. Between 30 and 40 percent of the farm and ranch operators surveyed supported state or federal aid (about one-fourth were neutral). Results of this survey revealed a strong relationship between an operator's financial status and his attitude toward financial assistance from the federal or state government. More than half of the operators with debt-to-asset ratios greater than 70 percent or with delinquent loan payments favored assistance, but less than one-fourth of those with no debt supported such governmental aid. The two forms of assistance most strongly supported by those favoring governmental aid were land debt restructuring and retraining. With the exception of retraining

loans or grants, all forms of assistance were more strongly supported by operators with higher debt ratios and lower net cash farm incomes.

In general, operators' attitudes toward federal assistance appear to reflect the heterogeneity of the commercial farm sector. Farmers who have little or no debt and whose cash flow is adequate to meet immediate requirements are much less likely to support special financial assistance programs than are those with heavy debt loads and cash flows which are insufficient to meet current commitments. Similar relationships appear to exist with respect to state aid, but a substantial subset of the farmers who favor federal aid are opposed to state aid on the grounds that a state's resources are not sufficient to support a major assistance program.

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COMMODITY PROGRAM UPDATE

by LeRoy Rude*

Commodity	1984	1985	1986	1987
Wheat				
Target price ($ per bu.)	4.38	4.38	4.38	4.38
Loan level ($ per bu.)	3.30	3.30	2.40	2.28
Reserve loan level ($ per bu.)	1/3.30	1/3.30	1/2.40	N.R.
Reserve release level ($ per bu.)	4.45	4.45	4.45	N.R.
Acreage reduction (percent)	20	20	22.5	27.5
Paid land diversion (percent)	10	10	4/2.5/5-10	--
Payment-in-kind (percent)	2/10-20	--	--	--
Nat'l base acreage (mil. acres)	93.9	93.9	92.6	N.R.
Corn				
Target price ($ per bu.)	3.03	3.03	3.03	3.03
Loan level ($ per bu.)	2.55	2.55	1.92	1.82
Reserve loan level ($ per bu.)	1/2.55	1/2.55	1/1.92	N.R.
Reserve release level ($ per bu.)	3.25	3.25	3.25	N.R.
Acreage reduction (percent)	10	10	17.5	20
Paid land diversion (percent)	--	--	5/ 2.5	15
Nat'l base acreage (mil. acres)	81.4	83.3	81.9	N.R.
Grain Sorghum				
Target price ($ per bu.)	2.88	2.88	2.88	2.88
Loan level ($ per bu.)	2.42	2.42	1.82	1.74
Reserve loan level ($ per bu.)	2.42	2.42	1.82	N.R.
Reserve release level ($ per bu.)	3.10	3.10	3.10	N.R.
Acreage reduction (percent)	10	10	17.5	20
Paid land diversion (percent)	--	--	5/ 2.5	15
Nat'l base acreage (mil. acres)	18.4	19.9	18.8	N.R.
Barley				
Target price ($ per bu.)	2.60	2.60	2.60	2.60
Loan level ($ per bu.)	2.08	2.08	1.56	1.49
Reserve loan level ($ per bu.)	2.08	2.08	1.56	N.R.
Reserve release level ($ per bu.)	2.65	2.65	2.65	N.R.
Acreage reduction (percent)	10	10	17.5	20
Paid land diversion (percent)	--	--	5/ 2.5	15
Nat'l base acreage (mil. acres)	11.6	13.2	12.4	N.R.
Oats				
Target price ($ per bu.)	1.60	1.60	1.60	1.60
Loan level ($ per bu.)	1.31	1.31	.99	.94
Reserve loan level ($ per bu.)	1.31	1.31	.99	N.R.
Reserve release level ($ per bu.)	1.65	1.65	1.65	N.R.
Acreage reduction (percent)	10	10	17.5	20
Paid land diversion (percent)	--	--	5/ 2.5	15
Nat'l base acreage (mil. acres)	9.9	9.9	9.1	N.R.

Continued--

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Commodity	1984	1985	1986	1987
Rye				
Loan level ($ per bu.)	2.17	2.17	1.63	1.55
Soybeans				
Loan level ($ per bu.)	5.02	5.02	4.77	N.R.
Upland Cotton				
Target price (cents per lb.)	81.00	81.00	81.00	79.4
Loan level (cents per lb.) 3/	1/55.00	57.30	1/55.00	1/52.25
Acreage reduction (percent)	25	20	25	25
Paid land diversion (percent)	--	10	--	--
Nat'l base acreage (mil. acres)	15.6	15.8	15.6	N.R.
Extra Long Staple (ELS) Cotton				
Target price (cents per lb.)3/	99.00	103.14	102.48	N.R.
Loan level (cents per lb.) 3/	82.50	85.95	84.50	N.R.
Acreage reduction (percent)	10	10	10	N.R.
Nat'l base acreage (1,000 acres)	68.3	66.0	77.7	N.R.
Rice				
Target price ($ per cwt)	11.90	11.90	11.90	11.66
Loan level ($ per cwt)	1/8.00	1/8.00	1/7.20	1/6.84
Acreage reduction (percent)	25	20	35	35
Paid land diversion (percent)	--	15	--	--
Nat'l base acreage (mil. acres)	4.2	4.2	4.2	N.R.
Flue-cured Tobacco				
Loan level (cents per lb.)	3/169.9	3/169.9	143.8	N.R.
Effective marketing quota (mil. lbs.)	840	763.8	692	N.R.
Burley Tobacco				
Loan level (cents per lb.)	3/175.1	3/178.8	148.8	N.R.
Effective marketing quota (mil. lbs.)	697	541.7	463	N.R.
Peanuts				
Loan level, quota ($ per ton) 3/	550	559	607.47	N.R.
Loan level, non-quota ($ per ton)	185	148	149.75	N.R.
Marketing poundage quota (1,000 tons)	1,134	1,100	1,355.5	N.R.
Wool				
Support level (cents per lb.) 3/	165	165	178	N.R.
Mohair				
Support level (cents per lb.) 3/	517	443	493	N.R.
Sugar				
Loan level for raw cane (cents per lb)	17.75	18.00	18.00	N.R.
Loan level for refined beet (cents per lb.)	20.76	21.06	21.09	N.R.
Honey				
Loan level (cents per lb.)	3/65.8	3/65.3	64.0	63.0

N.R. = Not Released.
1/ Minimum allowed by law.
2/ Wheat PIK for 1984--wheat producers could choose any level of participation from 10 to 20 percent, inclusive.
3/ Determined by statutory formula.
4/ The 2.5 percent is mandatory for program participation. Winter wheat producers have two options for additional paid diversion -- 5 percent or 10 percent. Payments are made in the form of commodity certificates.
5/ Payments are made in the form of commodity certificates.

AGRICULTURE - FOOD POLICY UPDATE: ADMINISTRATIVE DECISIONS

by Lewrene Glaser*

GRAINS AND COTTON

1986-Crop County Loan and Purchase Rates--On May 15, USDA issued county loan and purchase rates for 1986-crop wheat and barley based on the national average loan rates of $2.40 per bushel for No. 1 grade wheat and $1.56 per bushel for barley graded No. 2 or better. The county rates for 1986-crop corn grading No. 2 or better, based on the national average rate of $1.92 per bushel, were announced May 30.

1987 Wheat Program--USDA announced an acreage reduction of 27.5 percent and a target price of $4.38 per bushel for the 1987 wheat program on May 30. No marketing quotas will be issued for the 1987 crop. Additional provisions were released June 30. The national average loan and purchase level for the 1987 crop is $2.28 per bushel, down from $2.40 for 1986. Other provisions include:

-- A marketing loan program will not be implemented;

-- Offsetting compliance will not apply, meaning that eligibility for a program payment and loan for a commodity on one farm will not be affected by actions taken with respect to that commodity on another farm;

-- The upper limits on the farmer-owned reserve (FOR) will be no more than 17 percent of the estimated domestic and export use for the 1987/88 marketing year. If reserve quantities exceed the upper limit at the time that 1987-crop wheat loans mature, no entry into the reserve will be permitted;

-- Actual crop yields for 1987 and subsequent years will not be used to establish 1988 and future farm program payment yields.

-- The signup period began October 1, 1986, and will end March 30, 1987.

1987 Common Program Provisions--Also on May 30, USDA announced provisions common to all of the 1987 programs. They are as follows:

-- Limited cross compliance will be in effect for the 1987 crops of wheat, feed grains, upland cotton, and rice. This means that as a condition of eligibility for loans, purchases, or payments the acreage planted to the program crops, including extra long staple (ELS) cotton, on a farm must not exceed the crop acreage bases for those commodities.

-- Production of nonprogram crops on 50/92 acreage will not be permitted. Haying and grazing will be permitted at the request of the State Agricultural Stabilization and Conservation (ASC) Committees.

-- Production of alternate crops on set-aside acreage will not be permitted. Grazing will be permitted when requested by the State ASC Committees, except during any 5-consecutive-month period designated by the Committees.

On October 24, USDA announced that signup for the 1987 feed grains, cotton, and rice programs will be held November 17, 1986, through March 30, 1987. Wheat and feed grain producers participating in the programs may request 40

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percent of their estimated deficiency payments when they signup for the program, while upland cotton and rice producers may request 30 percent of their deficiency payments. Feed grain producers may request 50 percent of their estimated diversion payments. Half of the advanced payments will be made in generic commodity certificates. Like wheat, the actual yields of feed grains, upland cotton, and rice for 1987 and subsequent crops will not be used to establish farm program payment yields for 1988 and subsequent crops years.

Wheat Poll--The Food Security Act of 1985 required USDA to conduct a poll of eligible wheat producers to determine whether they favor mandatory production limits. The ballots were mailed on June 25 and had to be returned to local Agricultural Stabilization and Conservation Service (ASCS) offices by July 14. The results of the nonbinding poll were released August 15. Of the 1,565,517 ballots mailed to wheat producers, 346,034 were returned, and of those, 26,626 were invalid. Of the 319,408 valid ballots, 171,389--54 percent--favored mandatory production controls, while 148,019--46 percent--opposed them. The poll contained six questions:

-- Do you favor mandatory limits on production that would result in prices of at least 125 percent of the national cost of production?

-- How do you classify your farm operation?

-- Do you own or rent to others or are you an operator/producer?

-- What is the predominant class of your wheat?

-- How big was your operation in 1986?

-- Did you produce a crop of wheat with an acreage base of at least 40 acres during at least one of the 1981-1985 crop years?

Accompanying the wheat poll results was a statement by Secretary of Agriculture Richard E. Lyng: "Based on the relatively small response to the wheat poll, I don't think a great deal of significance can be attached to the results. I therefore consider the poll to be inconclusive."

Wheat Research and Nutrition Education Order Terminated--USDA terminated the wheat and wheat foods research and nutrition education order on November 1. Under the order, which had been operating since 1981, wholesale bakers and other wheat product manufacturers collected assessments of 1 cent per hundredweight on their purchases of processed wheat to finance the nationally coordinated program. Refunds were given to those not wishing to participate in the program. Wholesale bakers, who contributed 73 percent of the net funding, recently announced they no longer wish to contribute the program, rendering it inoperative.

1987 Feed Grain Program--On September 29, USDA announced a 20 percent acreage reduction for the 1987 feed grain program. Additional provisions were announced on October 24. They include:

-- 1987 target prices, per bushel, will be the same as for the 1986 crops--$3.03 for corn, $2.88 for sorghum, $2.60 for barley, and $1.60 for oats.

-- Loan rates, per bushel, are $1.82 for corn, $1.74 for sorghum, $1.49 for barley, $0.94 for oats, and $1.55 for rye.

-- A voluntary paid diversion of 15 percent will be offered to producers participating in the feed grain program. The diversion payment rates are per bushel are $2.00 for corn, $1.90 for sorghum, $1.60 for

barley, and $0.80 for oats. Fifty percent of the diversion payments will be made in advance, with half in cash and the balance in generic certificates.

-- A marketing loan will not be implemented.

Program Differentials for 1986-Crop Cotton--Schedules of premiums and discounts for the 1986 crops of upland and ELS cotton were released by USDA on May 2. The schedules are used to adjust the base loan rates of 55.00 cents per pound for upland cotton and 85.40 cents for ELS cotton for grade, staple length, and location.

1985-Crop ELS Cotton Deficiency Payments--Eligible producers of ELS cotton will receive deficiency payments at the rate of 14.14 cents per pound on their 1985 production, USDA announced on May 9. The payment rate is equal to the difference between the target price of 103.14 cents per pound and the national average price received by producers from August 1985 through March 1986 (89.0 cents per pound). Total payments are estimated to be about $1.5 million.

Cotton Commodity Certificates--USDA announced additional details of the commodity certificate provisions of the 1986 upland cotton program on June 6. Cotton commodity certificate categories include first handler, inventory protection, loan deficiency, and additional yield. Generic certificates issued under the 1986 wheat, feed grain, and conservation reserve programs may be used to obtain upland cotton. Cotton certificates, however, are only redeemable for upland cotton.

First handler certificates will be issued to those who have entered into an agreement with the Commodity Credit Corporation (CCC) to participate in the program on upland cotton that is purchased for either domestic use or export during a period in which the adjusted world price is below the announced loan repayment rate. Eligible cotton includes 1986-crop cotton that is not pledged as loan collateral and prior-year cotton that has been pledged as collateral and is redeemed with cash on or after August 1, 1986. The payment rate is the difference between the loan repayment rate and the adjusted world price in effect for the week in which the purchase is made.

Inventory protection certificates were issued to persons holding "free stocks" of raw upland cotton on August 1, 1986. Eligible cotton includes all 1985 or prior crop U.S. raw upland cotton, plus certain useable cotton by-products of the ginning and milling process, not pledged as price support loan collateral or owned by the CCC. The payment rate equals the difference between the national average loan rate for 1985-crop base quality cotton at average U.S. location, plus estimated average carrying charges, and the adjusted world price on August 1 (see below).

Loan deficiency payments will be made to eligible producers who agree to forgo obtaining loans at a rate equal to the difference between the loan rate and the loan repayment rate for each quality of cotton. Fifty percent of the payments will be in cotton commodity certificates.

Additional yield certificates will be issued to producers if their 1986 farm program payment yield is more than 3 percent below their 1985 program yield. The certificates will be issued in amounts equal to the difference between the 1986 program yield and 97 percent of the 1985 level.

World Upland Cotton Price--On July 3, USDA began making weekly announcements of the prevailing world market price, adjusted to U.S. quality and location, for Strict Low Middling 1-1/16 inch (micronaire 3.5-4.9) upland cotton (base quality). The announcement of such price is required by the Food Security Act of 1985 and is used in determining First Handler Cotton Certificate payment rates. The price announced on July 3 was 24.92 cents per pound; it decreased to 22.32 cents on August 7 and then steadily increased to 38.29 cents on October 23. The price dropped slightly on October 30 to 37.44 cents.

Payment Rates for Upland Cotton Inventory Protection Program--On July 31, USDA announced payment rates for cotton certificates issued under the Upland Cotton Inventory Protection Program. Any person who owned free stocks of eligible raw upland cotton as of 12:01 a.m. on August 1 could receive the certificates. Persons had until August 31 to file applications for payment with supporting documentation. The range of payment rates, which vary by region, are listed below.

	Cents per Pound
Baled Upland Cotton Lint	39.18 - 41.43
Loose	33.30 - 35.22
Below Grade	27.43 - 29.00
Reprocessed Motes	13.71 - 14.50
Comber Noils	23.51 - 24.86
Spinnable Textile Waste:	
Containing 100 percent cotton	9.80 - 10.36
Containing 85-100 percent cotton	7.84 - 8.29

The rates are based on the adjusted world price of 22.37 cents per pound announced on July 31.

1987 Upland Cotton Program--USDA announced provisions of the 1987 upland cotton program on September 29. They are:

-- An acreage reduction of 25 percent.

-- A target price of 79.4 cents per pound.

-- A minimum loan level of 52.25 cents per pound for the base quality.

-- No inventory reduction program.

On October 31, Secretary Lyng announced additional provisions:

-- No paid land diversion program.

-- A recourse loan program for upland seed cotton.

-- The adjusted world market price for SLM 1-1/16 inch cotton was 37.44 cents per pound on October 30. Since the adjusted world market price is below the 1987 crop loan rate, Plan B will be in effect for the 1987-crop of upland cotton. Producers will be allowed to repay their price support loans at a rate, between the adjusted world price and 80 percent of the loan level, that will minimize forfeitures, stock accumulation, and storage costs and allow U.S cotton to be competitive in domestic and world markets.

Supplemental Cotton Assessment--USDA revised Cotton Board regulations on October 24 to permit collection of a supplemental assessment on loan deficiency payments. The Cotton Board collects funds and administers their use for cotton research and promotion activities. The assessment is $1 per

bale, plus a supplemental assessment of 0.6 percent of the value of the bale. Under provisions of the Food Security Act of 1985, producers have the option of either: (1) pledging cotton to the CCC as collateral for a price support loan with the opportunity to repay at a lower rate; or (2) bypassing the loan to sell their cotton on the open market and, instead of a loan, receiving loan deficiency payments equal to the difference between the loan rate and the loan repayment rate. Under current rules, ASCS collects the assessment on cotton placed in the CCC loan program. The revised regulations also permit ASCS to collect the supplemental assessment on loan deficiency payments. By collecting the supplemental assessment on both options, all payments under the program receive equal treatment. The new regulations only apply to the supplemental assessment, since the basic $1 per bale assessment is deducted by the first buyer when the grower sells the cotton.

World Rice Price--USDA began on April 15 making weekly announcements of the prevailing world market prices of rice on a loan-rate basis. The announcement of such prices are required by the Food Security Act of 1985 and are used in determining the repayment rates for 1985-crop loans. Since May, the prices for long grain whole kernels have ranged from 6.68 to 5.78 cents per pound; for medium grain whole kernels, from 5.73 to 4.79 cents; for short grain whole kernels, from 5.74 to 4.79 cents; and for broken kernels, from 3.34 to 2.89 cents per pound. Repayment rates for 1986-crop warehouse or farm-stored loans are the higher of the world price or 50 percent of the loan rate for such rice.

1986 Rice Marketing Certificate Program--The CCC began issuing generic negotiable marketing certificates for the 1986-crop rice program on August 1. Holders of certificates may exchange them for commodities which the holder has pledged as collateral for a CCC price support loan or for available commodities in CCC inventory. The certificates will be available to producers and eligible cooperatives selling rice or repaying CCC loans if such sale or repayment is made during a period when the prevailing adjusted world price for that class of rice is below the current loan repayment rate. Certificates can be transferred. The rate of payment will equal the difference between the loan repayment rate for the eligible rice and the prevailing adjusted world market in effect at the beginning of the business day on which the rice is sold or on which the loan is repaid, as applicable. Certificates issued under this program will expire 8 months from the last day of the month in which the certificate was issued.

1987 Rice Program--Secretary Lyng on October 24 announced a 35 percent acreage reduction for the 1987 rice program, a national average loan rate of $6.84 per hundredweight, and a target price of $11.66 per hundredweight.

Commodity Certificate Redemption--On May 15, USDA announced that producers earning commodity certificates under 1986 farm programs would no longer be required to redeem their outstanding loan collateral to satisfy the PIK portion of their payments. Also on May 15, CCC issued a reminder to certificate holders and warehousemen concerning commodity transfer provisions. Under the procedures for exchanging commodity certificates for CCC-owned commodities, the CCC will transfer the title of the commodity to a certificate holder at a CCC storage location. When the certificate holder takes physical possession of the commodity, any settlement regarding the quality

or quantity delivered will be solely between the certificate holder and the warehouseman.

Effective close of business October 31, 1986, producers who have substituted their loan collateral from one location to another will no longer have the option of redeeming that collateral with commodity certificates. The substitution provisions were implemented a number of years ago to allow producers who were in areas of limited storage to substitute their loan collateral to other areas where adequate storage space was available. However, the combination of the loan collateral substitution provisions and the utilization of commodity certificates to redeem the loans has caused some market dislocation.

<u>1985-Crop Loan Extensions</u>--USDA announced on July 8 that producers holding CCC loans on 1985 crops of feed grains, rye, soybeans, and wheat may extend their loans for 12 months. Storage costs for the added 12-month period will be paid by the CCC for all of the commodities, except soybeans. Producers wishing to extend their loans must file a request with their local ASCS office no earlier than 60 days before the loan maturity date. On July 11, USDA announced that grain placed under the extended CCC loans will be ineligible for entry into the farmer-owned reserve at the end of the revised maturity period. Grain cannot be rotated, i.e. replacing older crop grain with newer grain.

<u>1986 Acreage Reduction</u>--On July 25, ASCS released its final report showing producers placed 191.2 million acres of feed grains, wheat, upland cotton, ELS cotton, and rice in the 1986 acreage limitation program. The following table summarizes the report:

	Total Base (million acres)	Enrolled Base (million acres)	% of Total
Corn	82.4	69.8	84.7
Sorghum	18.7	14.0	75.2
Barley	12.4	9.0	72.7
Oats	9.5	3.5	36.6
Feed Grains	123.0	96.3	78.3
Wheat	91.7	76.7	83.6
Upland Cotton	15.6	14.2	91.3
ELS Cotton	.078	.035	45.4
Rice	4.2	3.9	92.0
Total	234.6	191.2	81.5

<u>Farmer-Owned Reserve</u>--The maximum amounts of the 1986 crops of wheat and feed grains that may be stored under the FOR were announced by USDA on May 30. The upper limits on the reserve are 17 percent for wheat and 7 percent for feed grains of the estimated domestic and export use during the 1986-87 marketing years. USDA estimates those quantities at about 380 million bushels for wheat and 625 million bushels for feed grains. Producers with maturing 1985-crop wheat and feed grain CCC loans may continue to place such loans into the FOR. On June 13, Secretary Lyng announced that farmers who have corn and grain sorghum in the reserve may rotate the crops out of

storage for up to 30 days before replacing the older grain. The announcement was made in order to make the rotation period for corn and grain sorghum consistent with other commodities. Lyng also announced that replacement stocks of wheat, barley, and oats may consist of existing grain and purchased grain as well as newly-harvested grain. It is routine for farmers to remove old grain from storage and replace it with newer grain to maintain quality.

Grain Storage Space--USDA has made several announcements over the last six months related to the expected shortage of storage space in many parts of the country. On May 9, USDA announced that when space shortages arise, Federally licensed warehouses may forward grain to other approved locations. Transfers of grain were previously prohibited by the U.S. Warehouse Act of 1916, but the law was changed on March 20, 1986. USDA announced on May 30 that farmers can get 90-day recourse loans to put grain on the ground or in emergency on-farm facilities, if they wish to begin harvest and the local elevators are full. On July 17, Secretary Lyng said USDA will utilize excess barge capacity as temporary storage for grain stocks.

President Reagan on August 12 announced that producers unable to take advantage of price support loan programs due to limited approved storage space will be allowed to enter eligible grain stored on the ground under a 9-month nonrecourse loan. Farmers may also convert their recourse distress loans to 9-month nonrecourse distress loans. (A nonrecourse loan is considered paid if the collateral is forfeited; a recourse loan is not.) Producers must agree to place the grain into approved storage within 120 days after loan disbursement. The grain must be protected from animals and located so water drainage will not seriously affect either quality or quantity. In addition, farmers with commodities in the FOR and special producers' storage loan programs may rotate them out of storage 60 days.

USDA announced on August 28 that contracts for an additional 1,355 covered grain barges have been issued in an effort to alleviate the tight storage situation in corn belt states. The additional barges brought the total number to 2,000 with storage space for 100 million bushels of grain. The barges are being loaded mainly on the upper and mid-Mississippi and the Illinois Rivers to take care of the most critical load-out needs in those areas. Some corn is also be stored on barges on the Missouri and Ohio River system. On September 12, USDA summarized actions taken by the CCC during the preceding two weeks to relieve storage congestion. The actions include relocations by shipping orders, sales of low quality grain, swapping of grain, and deliveries of CCC-owned grain in exchange for commodity certificates. Also, producers have been using certificates to purchase grain pledged as loan collateral.

Grain-Fuel-Ethanol Program--On May 2, USDA released details of its program to help financially distressed fuel ethanol plants. The goal of the program, which began May 10 and ended September 30, was to maintain the demand for grain by bridging the gap between spring grain prices and lower prices expected this fall as a result of reduced price support levels. Eligible producers received commodity certificates equal to the value of 1 bushel of CCC-owned grain for every 2-1/2 bushels they removed from the marketplace. To be eligible for the program, producers must have produced ethanol commercially during March and April 1986. On May 29, USDA issued a

program clarification. Fuel-ethanol producers who acquired grain with a CCC certificate or bought grain with the proceeds of a CCC certificate could not use that grain to generate more assistance. All grain removed from the market and used to produce ethanol between May 10 and September 30, 1986, was eligible for commodity certificates. Producers had to submit proof that they bought grain and turned the grain into fuel ethanol. On August 11, USDA expanded the temporary program to include dry-milling and wet-milling grain products and syrups derived from grain.

Wheat Classes and Standards--Effective June 20, USDA established a interim wheat classing procedure for nontraditional hard wheats that is based on marketing area and intended class rather than kernel characteristics. Nontraditional hard red winter wheat that exhibits soft red winter wheat characteristics is not included in the new grading procedure.

USDA will revise wheat standards by certifying dockage to the nearest 0.1 percent, beginning May 1, 1987. The current method rounds the actual dockage down to the nearest half or whole percentage. The method for measuring wheat protein content will also be changed. Certification of protein content will be on a constant 12 percent moisture basis rather than the current "as is" moisture basis. Both revisions are designed to enhance the marketability of U.S. wheat overseas.

Classing and Inspection Fees--Fees charged producers for classing cotton were increased on July 1 to $1.08 per bale for the 1986 crop, up from $1.05. An additional fee for optional High Volume Instrument classing will be raised to 50 cents per bale.

On July 18, the Federal Grain Inspection Service (FGIS) proposed increasing its fees for weighing and inspection services performed under the U.S. Grain Standards Act. Under the proposal, the fee increase would be approximately 17 percent for original inspection and official weighing, contract basis; 27 percent for original inspection and official weighing, noncontract basis; 30 percent for reinspection, appeal inspection, board appeal inspection, and review of weighing; and 31 percent and 42 percent, respectively, for contract and noncontract inspection services performed in Canada. The charge for each supervision of official Class Y domestic ship weighing would be $12.30 per ship. Basic weighing and inspection fees were last revised on August 1, 1984.

Uniform Grain Standards Proposed--On September 30, USDA proposed revising the grain standards format to enhance uniformity among all grain standards. The proposed format revisions include:

-- Incorporating all common terms into a new General Provisions section.

-- Designating each grain standard as a separate subpart within the regulations.

-- For each of the 11 standards, establishing a uniform format structure with a common language.

-- Establishing uniform grade and grade requirement grain tables for each grain.

-- Renumbering and reorganizing the individual grain standards in alphabetical order.

-- Where possible, removing footnotes and references to footnotes throughout the standards.

Hops Marketing Order Terminated--USDA terminated the Federal marketing order for hops on October 31, because an insufficient number of hops producers voted to continue the order in a referendum held August 11-23. The order required approval by at least two-thirds of producers voting, or by a majority of those voting that control at least two-thirds of the hops produced by all voters. Only 56 percent of the voters approved continuing the order, and they produced only 53 percent of the hops grown by all those voting. The Federal marketing order for hops was established in 1966.

Upland Cotton Standards Revised--USDA has issued revised grade standards for American upland cotton, which will become effective July 1, 1987. The size range of leaf particles in the grade standards is being changed to reflect the leaf characteristics of cotton currently being produced by modern harvesting and ginning practices. Leaf particles remain in the cotton lint after ginning and the amount of leaf is one of the factors used by cotton classers to determine the grade of a cotton sample, along with color and preparation. USDA will also permanently adopt two tentative standards--the Strict Good Ordinary Spotted physical standard and the Strict Good Ordinary Light Spotted descriptive standard. These standards have been in effect on a trial basis since the 1984 season.

OILSEEDS AND TOBACCO

Peanut Loan and Handler Interim Regulations--On June 17, USDA issued interim regulations for peanut warehouse storage loans and handler operations, applicable to the 1986-90 crops. Many of the provisions for the 1982-85 crops were retained, but there were a few changes. Some of the changes include:

-- Peanut contracts between producers and handlers for delivery of additional peanuts--peanuts grown for export or crushing--will be required to contain a final price and stipulate that the peanuts cannot be used for domestic edible use.

-- Handlers must receive approval from the CCC for adequate financial guarantees, facilities, and assets before their contracts with producers can be approved.

-- All handlers must post a letter of credit equal to the difference between the quota and additional loan rates on 10 percent of the estimated pounds contracted.

-- The penalty rate for handlers has been increased to 140 percent of the quota support rate for the type of peanuts involved in a penalty assessment. Importers who reimport additional peanuts or peanut products made from additional peanuts are also subject to the 140 percent penalty.

-- CCC modified the rules that govern adjustments to and distribution of money in area marketing pools. As far as possible within a marketing area, gains in peanut pools that show profit will be used to offset losses in pools that lose money. If an area shows losses after offsets, profits from other marketing areas will be used to offset losses.

1986 Peanut Program--USDA released final provisions of the 1986 peanut program on June 19. Except for minor changes, the following rules are the same as those published in the April 1 Federal Register:

-- The farm poundage quota for the 1986 crop will be allowed full credit even if the quota is not fully met. Credit will also be allowed for 1985-crop peanuts, if the quota is transferred to a farm by sale effective for the 1986-crop year.

-- Additional time will be allowed for producers to sell or transact other quota transfer agreements for the 1986-crop.

-- USDA will not reduce initial farm poundage quotas on farms, if quota loss would result from lease and production on another farm by a different operator during 1983-85 years.

Support Level for 1986-Crop Peanuts--On August 19, USDA announced price support levels by type, quality, and location for the 1986 peanut crop. Support is based on the national levels of $607.47 per short ton for quota peanuts and $149.75 per ton for additional peanuts. The quota support level by type for an average grade ton of 1986-crop peanuts will be:

-- $608.72 for Virginia-type peanuts;

-- $610.93 for Runner-type peanuts;

-- $579.85 for Spanish-type peanuts;

-- $608.72 for Valencia-type peanuts from the Southwest area which are suitable for cleaning and roasting; and

-- $579.85 for other Valencias.

The method of computing differentials is the same as for the 1985 crop, except that a 4-year statistical base was used to project the expected quality factors in a ton of 1986-crop Virginia-type peanuts. The actual support levels for an individual lot of peanuts depend on the percent of the various sizes of kernels in each ton and other factors. For each percent of sound mature kernels, including sound split kernels, the support level per ton is:

-- Virginia-type peanuts, $8.775;

-- Runner-type peanuts, $8.603;

-- Spanish-type peanuts, $8.646;

-- Valencia-type peanuts in the Southwest area suitable for cleaning and roasting, $9.050; and

-- other Valencias, $8.646.

The loan value for additional peanuts is 24.65 percent of the applicable quota rate. This factor represents the ratio of the national support level for additional peanuts to the national support level for quota peanuts.

Revised Methods for Interpreting Soybean Damage--USDA began on September 1 using stricter standards for determining levels of damage to soybeans in foreign and domestic soybean shipments. FGIS inspectors grade soybean shipments for damage by comparing the actual conditions of beans in shipments to photographic slides depicting predetermined standard levels of damage. FGIS revised certain slides to tighten its damage interpretations.

1986-Crop Soybean Loan Rate--On September 12, USDA set the final loan and purchase rate for 1986-crop soybeans at $4.77 per bushel. All producers of 1986-crop soybeans will be eligible for loans and purchases since farmers are not required to take part in production adjustment programs as a condition of eligibility. The basic loan rate is set by law at not less

than $5.02 per bushel, with discretionary authority to lower the basic loan rate up to an additional five percent to maintain competitiveness.

Flue-Cured Tobacco--On June 17, USDA announced minor technical revisions to the 1986 flue-cured tobacco national marketing quota and acreage allotment. The 727-million-pound quota announced April 25 was based on the sum of the 1985 farm marketing quotas (773.6 million pounds) rather than on the national marketing quota established for 1985 (775 million pounds). However, the Agricultural Adjustment Act of 1938, as amended, requires that the minimum flue-cured national marketing quota for 1986 be set at not less than 94 percent of the national marketing quota established for the preceding year. Therefore, the 1986 national marketing quota is 728.5 million pounds. The national acreage allotment is also changed to 366,264 acres, up from 365,510 acres announced earlier.

USDA revised the grade standards for flue-cured tobacco on July 10 to more accurately describe tobacco appearing in the marketplace. The changes distinguish papery body--a thin bodied oilless tobacco--from regular body in the P (primings), X (lugs), and C (cutters) stalk positions and assign new grades to describe excessively scorched and whitish-lemon colored tobacco.

On July 14, the CCC announced the grade loan rates for the 1986 crop of flue-cured tobacco, based on the price support level of $1.438 per pound. The rates range from $0.96 to $1.97 per pound. Secretary Lyng announced on July 24 an assessment of 1.5 cents per pound on both producers and purchasers of 1986-crop flue-cured tobacco. Producers will also be required to contribute an additional 1 cent to cover price support program risks for the 1982, 1983, and 1984 crops, making their effective contribution 2.5 cents per pound. The contributions and assessments are intended to ensure that the tobacco support program will be operated at no cost to taxpayers in conformity with the Tobacco Program Act of 1982. As a condition of eligibility for price support, flue-cured producers are required to pay the amount of any required assessment. The 1986 crop is the first in which purchasers are required to pay an assessment--mandated by the Consolidated Omnibus Budget Reconciliation Act of 1985--in order to add stability to the flue-cured price support program.

1986 Tobacco Price Support Programs--During June USDA sought public comments on price support levels for six kinds of tobacco for the 1986 crop year. The tobaccos were identified as dark air-cured (types 35-36), fire-cured (type 21), fire-cured (types 22-23), sun-cured (type 37), cigar binder and filler (types 42-43-44 and 53-54-55), and Puerto Rican (type 46). Because of excessive supplies, USDA recommended that the 1986 support levels be set at the 1985 rates, plus 65 percent of any increase that would have otherwise been established. Comments were due by August 18.

Pesticide Use Restrictions for Tobacco--On June 27, Secretary Lyng announced plans for enforcement of pesticide residue standards on all domestically produced burley and flue-cured tobacco receiving price support for the 1986 and subsequent crops. The new enforcement program requires sampling from loan stocks to determine pesticide residue on tobacco pledged as collateral for price support loans. Any flue-cured or burley tobacco pledged as collateral which fails to meet the pesticide residue standards will be destroyed. The Food Security Act of 1985 requires that pesticide residue

standards be provided for pesticides that are canceled, suspended, revoked or otherwise prohibited under the Federal Insecticide, Fungicide and Rodenticide Act.

USDA issued final rules for testing imported flue-cured and burley tobacco for prohibited pesticides and for identifying the importing manufacturers or other end users of the tobacco. The new rules, which became effective September 2, are mandated by the Food Security Act of 1985. Under the act, USDA is also directed to fix and collect fees from importers to cover, as nearly as practicable, the cost of such services. The fee for sampling and testing imported flue-cured and burley tobacco will initially be set at 0.1 cents per pound. Imported flue-cured and burley tobacco not accompanied by a certification that it is free of prohibited pesticide residues will be subject to an additional fee of 0.3 cents per pound.

Burley Tobacco--On September 8, USDA announced an assessment of 1.25 cents per pound on both producers and purchasers of 1986-crop burley tobacco. As with flue-cured tobacco, the 1986 crop is the first in which purchasers are required to pay an assessment. Producers will also be required to contribute an additional 1.5 cents to cover price support program risks for the 1982 and 1984 burley crops, making their effective contribution 2.75 cents per pound. As a condition of eligibility for price support, burley producers must agree to make contributions to a No Net Cost Fund to be established by the burley associations for each of the 1986 through 1988 crops. This three-year agreement must be signed by the producer no later than September 30 at county ASCS offices. By law, a producer who does not file this agreement may not receive price support on any of the 1986 through 1988 crops and must pay marketing penalties on each pound marketed.

New Grade Standards Proposed--USDA proposed on October 2 revising the grade standards for fire-cured, burley, and dark air-cured tobacco to allow more accurate grading of these tobaccos in the marketplace. The revisions would reduce the number of size designation in fire-cured and dark air-cured tobacco, and would add a special factor symbol in the fire-cured types to denote tobacco that is not sufficiently fired during the curing process. The proposal would also add six new grades to the burley grade standards to describe tannish-buff color in the leaf (B) group and variegated color in the mixed (M) group, and would delete all tips (T) grades in the dark air-cured standards.

FRUITS AND VEGETABLES

Potatoes--On May 12, USDA proposed revising the voluntary standards for canned white potatoes. The amendments would change the procedure for determining uniformity of size and shape, permit an allowable percentage of potatoes not meeting the intended grade standard when determining size designation, and change the format of the standards to include definitions with easy-to-read tables. Comments were due July 11.

On July 25, USDA solicited public comments on its proposal to revise the voluntary grade standards for seed potatoes. The major provisions of the proposed standards would:

-- increase tolerances for damage by soil, vascular ring discoloration, and sprouts;

-- establish guidelines for scoring damage by soil and handling loose soil in containers;

-- expand the list of factors which do not affect seed quality and would not be considered grade defects;

-- add specific new defects and methods of scoring to the defects classification table. Comments were due September 22.

USDA issued a final rule, effective August 11, revising the voluntary grade standards for peeled potatoes. The rule deletes the reference to sulfur dioxide in the product description, but retains the reference to the treatment used to prevent discoloration. The dual grade nonmenclature is also replaced with a single, letter grade designation.

Processed Products Inspection Regulations--On June 6, USDA revised its regulations covering inspection and certification of processed fruits, vegetables, and related products. The major amendments:

-- revise sampling plans by limiting the lot size to correspond to a sample size with a maximum of 29 units;

-- revise and readjust the schedule of fees and charges for inspection;

-- provide for control of labels bearing approved grade or inspection marks when a contract for service is cancelled; and

-- revise the approved identification section which allows for the use of the official sample mark.

Pistachio Nuts--On August 5, USDA established voluntary grade standards for in-shell pistachio nuts to provide a common trading language and to determine levels of quality and value. The new standards contain three grade levels--U.S. Fancy, U.S. No. 1, and U.S. No. 2.--that provide the pistachio industry with standards similar to those used by other segments of the domestic fresh produce industry.

Pineapple Juice--USDA proposed, on August 13, revisions in its voluntary grade standards for canned pineapple juice. The major amendments would align USDA grade standards with the Food and Drug Administration standards; eliminate reference to the word "canned" or "canning" and substitute "processing" where appropriate; provide grade standards for pineapple juice from concentrate; establish minimum soluble solids content for pineapple juice from concentrate; clarify the standards for pineapple juice and pineapple juice from concentrate; and redesignate the grade name U.S. Grade C in the current canned pineapple juice standards to U.S. Grade B. Comments were due October 10.

Skinned Lentils--USDA proposed setting grade limits for skinned lentils on August 25. The proposal would set grade limits for U.S. No. 1 and U.S. No. 2 grades, and lower the percentage of skinned lentils necessary for the Sample grade designation. Comments were due by September 25.

PACA License Fees--USDA issued a final rule raising the basic, annual license fee required for fruit and vegetable traders to operate in the produce industry under provisions of the Perishable Agricultural Commodities Act (PACA). The new fee schedule, effective September 1, requires a firm

licensed under PACA to pay an annual fee of $216 plus $108 for each branch facility it operates in excess of nine with a maximum fee of $1800. The previous fees were $180 plus $72 for each branch facility over nine, with a maximum of $1200.

Bunched Spinach--On October 24, USDA proposed establishing voluntary grade standards for bunched spinach. The grade standards were requested by industry representatives, and would provide a common trading language and a means of determining levels of quality and value. The proposal would establish two grade levels--U.S. No. 1 and U.S. No. 2--and provide standards similar to those used for other types of domestic fresh produce.

SUGAR AND SWEETENERS

Honey Research, Promotion, and Consumer Information Order--On June 16, USDA announced that honey producers and importers voted to adopt a Federal research, promotion, and consumer information order. In a referendum conducted in May 1986, 87.5 percent of honey producers and importers voted for the order. Those voting accounted for 37.5 percent of the total volume of honey produced or imported into the United States during 1984. For an order to be issued, it must be approved by at least two-thirds of the producers and importers voting, or by a majority of those voting, if that majority also accounted for at least two-thirds of the volume of honey produced and imported during the specified period. Funds for the program will be derived from assessments on those who produce or import 6,000 pounds or more of honey annually. The assessment will be 1 cent per pound for the first year and cannot be increased more than one-half cent per year thereafter. The maximum assessment is 4 cents per pound. A producer or importer who does not wish to support the program can obtain a refund upon written request. The Honey Board--a 13-member group of honey producers, packers, importers, and a public representative appointed by the Secretary of Agriculture--will administer the program.

Honey Loan Repayment--USDA announced on July 2 that beekeepers who have pledged 1986-crop honey as collateral for price support loans will be able to repay the loans at a lower level. Repayment levels are set to induce beekeepers to repay the loans, and that the lower repayment rates will help reduce excessive stocks of honey, reduce costs incurred by the federal government in storing honey, and maintain the competitiveness of honey in domestic and export markets. The repayment rates are based primarily on market prices. Beekeepers will be forgiven loan interest when they repay their loans.

On July 10, USDA began announcing the weekly repayment levels for each color and class of honey. Since they were first issued, the repayment rates have slowly decreased over time. The following table shows the various rates and the dates they were first announced.

Honey Loan Repayment Levels
(cents per pound)

Color and Class	Effective Date 7/10/86	7/31/86	9/4/86	10/23/86
White	52.0	48.0	44.0	44.0
Extra-light amber	46.0	43.0	42.0	39.0
Light amber	40.0	37.0	36.0	35.0
Amber	37.5	35.0	34.0	32.0

Surplus Sugar Sold--On August 12, USDA announced that the CCC had sold 145,850 metric tons of surplus raw cane sugar, valued at $15.3 million, to the People's Republic of China. The sugar was sold at 4.75 cents per pound, free-on-board at a U.S. port of export, and will be delivered during January-March 1987. On October 17, the CCC sold 36.1 million pounds of surplus refined beet sugar--at 21.91 cents per pound--to Cargill, Inc., of Minneapolis, Minnesota. The sale was made under a invitation issued by CCC for competitive offers to purchase the remainder of CCC's sugar inventory. Since June 1985, the CCC has sold 254.6 million pounds of surplus sugar acquired under the 1984-crop price support program. Completion of these sales will result in the complete disposition of CCC's sugar inventory.

1986 Sugar Program--The national (weighted average) price support loan rate for the 1986-crop of domestically grown sugar cane is 18 cents per pound and 21.09 cents per pound for refined beet sugar, Secretary Lyng announced on September 26. Both rates will be adjusted to reflect the processing location and quality of the sugar. The support level is the minimum amount that must be paid to growers by a processor participating in the price support program. Loan amounts received by processors will be reduced 4.3 percent as a result of the FY1986 sequestration order issued under the Balanced Budget and Emergency Deficit Control Act of 1985. The minimum support levels will also reflect the 4.3 percent reduction.

USDA announced on October 24 that, beginning with the 1986-crop, processors must post a bond or provide other financial assurance that producers receive the maximum benefits under the price support program. On October 30, USDA approved two additional options which sugar processors may use in fulfilling the new requirements. Processors may either file a letter of credit with the CCC or obtain a waiver of claims for sugar protection payments from growers. The waivers would absolve CCC of any responsibility to pay those growers sugar protection payments as provided in the Food Security Act of 1985.

FY87 Sugar Stabilization Price--Also on September 26, Secretary Lyng announced that the market stabilization price (MSP) for raw cane sugar for fiscal year 1987 will be 21.78 cents per pound, raw value. This is up from the 1986 level of 21.50 cents and the 1985 level of 21.57 cents. The MSP is the sum of the loan rate for FY1987 (18 cents per pound), the adjusted average transportation costs for shipping raw cane sugar (2.93 cents per pound), interest costs of repaying a sugar price support loan at full maturity (.65 cent per pound), plus 0.2 cent per pound.

LIVESTOCK

Beef Promotion and Research Order--On July 18, USDA issued a final rule implementing a national beef promotion and research order that aims to strengthen the position of beef in the marketplace. Funding will come from a mandatory $1 per head assessment on all cattle marketed in the United States as well as an equivalent amount on imported cattle and beef. The producer assessments began October 1, after 40 State beef councils were certified to collect assessments for the national program. In the 10 states without qualified beef councils, cattle buyers will have to remit assessments directly to the Board.

Secretary Lyng announced, on August 4, the appointment of 113 members to the Cattlemen's Beef Promotion and Research Board, which administers the program. The members represent producers from 38 states and three geographical units, with one additional unit representing importers. Representation on the Board is determined by the cattle population in each State or unit. Importer representation is based on the total volume of imported beef converted to live animal equivalents and on the number of imported cattle.

Pork Promotion Order--On September 5, Secretary Lyng announced the issuance of a final rule implementing a national pork promotion, research, and consumer information order and the appointment of 160 pork producers and importers to the National Pork Producers Delegate Body. The program will be funded by a mandatory assessment of up to 0.25 percent of the market value, at the time of sale, of each hog sold in the United States as well as an equivalent amount on imported hogs, pork, and pork products. The collection of assessments began November 1. Anyone purchasing feeder pigs, slaughter hogs, or breeding stock is required to collect the assessment and sent it on to the National Pork Board.

1986 Wool and Mohair Support Prices--Support prices for wool and mohair for 1986 marketings are $1.78 per pound for shorn wool and $4.93 per pound for mohair, USDA announced on August 11. In 1985, the support prices were $1.65 for wool and $4.43 for mohair. Shorn wool payments will be based on a percentage of each producer's return from sales. The percentage will be that required to raise the national average price received by all producers for shorn wool in 1986 up to the support price. In 1986, shorn wool prices are expected to average around $.70 per pound, compared to about $.63 per pound in 1985. Mohair is supported at 85 percent of the level at which shorn wool is supported. Prices for mohair during 1986 are expected to average around $3.50 per pound.

Wool and Mohair Promotion Programs--On September 19, USDA announced that mohair producers voted 1,833 to 397 to continue deductions from CCC incentive payments to finance mohair promotion. The referendum was held July 14-25. Final returns show 82.2 percent of the producers owning 89.7 percent of the Angora goats favored continuing advertising and other market development activities. The proposal authorizes deductions of up to 4.5 cents a pound from payments made under the National Wool Act on mohair marketed from 1986 through 1990.

Sheep producers also voted to continue deductions from CCC incentive payments to finance the promotion of wool during 1986-90. Final returns of a

referendum held August 18-29 show that of the producers who voted, 62.3 percent, owning 68.7 percent of the sheep, favored continuing advertising and other activities. Deductions of up to 6 cents a pound are authorized on shorn wool and 30 cents a hundredweight deductions are authorized on unshorn lambs. The previous rates of 4 cents and 20 cents had been in effect for 4 years.

Egg Research and Promotion Order--USDA proposed on October 24 to establish a new consumer information, research, and promotion order for eggs. USDA based its proposal on hearings conducted across the country between January and March 1986. If a new order is established, it would supersede the order currently in effect. Under the proposal, mandatory, nonrefundable assessments would be levied on egg handlers. The first year's assessment would be set at 0.5 cent on each dozen eggs. Subsequent annual increases of 0.25 cent, up to a 1-cent maximum, would be allowed if approved by the Secretary.

Bovine Tuberculosis--On May 29, USDA recognized Iowa as the 28th State to become free of bovine tuberculosis. Tuberculosis-free recognition is based on a State remaining free of the disease for a minimum of 5 years and on its compliance with the uniform methods and rules of State-Federal cooperative tuberculosis eradication program. Wisconsin regained its status as tuberculosis-free on May 23. Cattle owners on the island of Molokai, Hawaii, whose animals had been exposed to bovine tuberculosis were notified that they must have their herds appraised, identified and slaughtered, or removed from the island under permit for later slaughter, by September 15 if they wanted to qualify for Federal indemnity. Federal indemnity is the difference between the appraised value of the animal and the net salvage value; the amount cannot exceed $450 per head. On October 9, Missouri and Georgia were declared free of bovine tuberculosis, the 30th and 31st States so recognized.

Cattle Brucellosis--New Jersey and West Virginia were officially designated as free of cattle brucellosis on May 15. USDA recognized Ontario and Quebec, Canada, as free of cattle brucellosis on August 13, thus allowing Canadian cattle to enter the United States with fewer import restrictions. Ontario and Quebec were the last remaining Canadian provinces to eradicate cattle brucellosis and the entire country is now considered free of the disease. Puerto Rico was designated free of brucellosis on October 2. Brucellosis, sometimes called "Bang's disease," causes reduced fertility and lower milk yields in infected cattle.

USDA amended its brucellosis regulations to improve their effectiveness and consistency with some State regulations. The amendments require vaccination of certain cattle moving into or out of class B or C states or areas. USDA rates States or areas "free" or class A, B, or C, depending on the rates of infection in cattle. State regulations already enforce these vaccination requirements; this change makes them enforceable under Federal regulations as well. Another change requires stockyards approved specifically to handle brucellosis-infected or exposed cattle in interstate shipment to install impervious floors in the pens that hold such animals. A third change establishes procedures for movement of cattle that do not meet testing or vaccination requirements for further shipment. These animals can only be moved directly to slaughter, a quarantined feedlot, or back to the state of origin in a sealed vehicle. The rule became effective October 12.

Equine Infectious Anemia--On September 25, USDA approved a new, faster test for equine infectious anemia, a debilitating, sometimes fatal disease of horses. The results of the test--the Competitive Enzyme-Linked Immunosorbent Assay, or CELISA--are available in about 6 hours, as opposed to 24 to 48 hours for the Agar gel immuno-diffusion test, the only one previously approved. The CELISA test must be conducted in a USDA-approved laboratory.

Accredited Veterinarians--USDA proposed on May 7 to strengthen its requirements for accrediting private veterinarians who perform services for the Federal government. The services includes certifying the health of animals to be moved interstate or internationally, assisting in disease control and eradication programs, and examining animals to fulfill requirements of the Animal Welfare Act and the Horse Protection Act. Under current regulations, graduates of a college of veterinary medicine who receive a temporary license to practice in a State can become Federally accredited in that State by passing an examination and by receiving the recommendation of State and Federal authorities. Once accredited, they retain this status indefinitely unless it is suspended or revoked. The proposal would require that to become accredited, applicants must hold a nontemporary license to practice without supervision in the State where they seek accreditation. The proposal would also require the applicant to pass an examination administered by the USDA within 5 years of seeking accreditation in any State. Any veterinarian who is in private practice may apply for accreditation.

Effective June 13, veterinarians whose USDA accreditations have been revoked or suspended will have to meet more stringent requirements for reinstatement. Veterinarians who have had their accreditations revoked for violating Federal standards will have to wait up to 2 years instead of 1 before reapplying. Those whose accreditations have been revoked or suspended for 6 months or more will be required to pass a USDA examination before reinstatement. Repeatedly failing to administer animal health tests as prescribed and signing blank health certificate forms are two examples of serious infractions.

Voluntary Grade Standards for Poultry--USDA revised its voluntary grade standards for poultry products, effective June 9. The revisions eliminate the duplicate requirement for grading boneless breast and thigh parts before and after deboning. Instead, they will be graded only after they are deboned. The revisions also provide an additional option for printing the USDA grademark on poultry products packages. Processors will have greater flexibility in displaying the grademark on packages, so that it is easily visible and compatible with various colors of packaging materials.

Meat Grading and Certification Fees--On June 11, USDA finalized the rule raising the hourly fee charged for its meat grading and certification services and establishing separate fee rates for different types of service. The revised fee schedule has been in effect since February 16. Meat grading and certification are voluntary services provided to meatpackers and processors for a fee that is required by law to be approximately equal to the cost of providing services. Under the fee schedule, the base rate for commitment applicants will be \$27.40 per hour, and the base rate for noncommitment applicants will be \$29.80 per hour. All applicants will be charged \$35.40 for services performed during premium hours (time in excess of eight hours per day between 6:00 a.m. and 6:00 p.m., and for hours worked before 6:00

a.m. and after 6:00 p.m., Monday through Friday, and any time on Saturday and Sunday) and $54.80 for the hours when a meat grader is utilized on Federal holidays. Commitment applicants agree to guarantee 40 hours of revenue for service per week. Noncommitment applicants request service for a particular day and for the amount of time necessary to complete a specific task.

Biological Products--USDA proposed new regulations on July 31 that would allow Federal licensing of veterinary biologics manufacturers who produce only autogenous products. An autogenous biologic is a product that has been prepared from a culture of microorganisms that was derived from a sick animal. The affected herd or flock is then treated with the finished product. Such biologics are used primarily during emergencies to treat animal diseases for which there is no licensed product on the market. Current regulations allow licensing of manufacturers only if they produce nonautogenous products, such as vaccines or bacterins. However, once these firms are licensed, they can produce autogenous products as well.

On October 23, USDA announced procedures whereby biologics manufacturers who sell their products for export, or for use within the state where they are produced, may apply for temporary exemptions from Federal licensing standards. Last year, the Virus-Serum-Toxin Act was amended to require Federal licensing of all biologics firms. Veterinary biologics sold intrastate or for export have to meet the same USDA licensing standards for safety, purity, potency, and effectiveness that apply to veterinary biologics sold interstate. The amendments allowed a 4-year exemption period to give manufacturers time to bring intrastate and exported product up to Federal standards. An exemption would allow a manufacturer to sell the exempted product for export or within the state where it is produced until January 1, 1990. To claim the exemption, manufacturers must file a product licensing application form for the product by January 1, 1987.

Export Certificates for Meat--Effective October 8, USDA adopted revised procedures for processing export certificates for meat to ensure timely departures of vessels carrying the products. Previously, an export certificate certifying that meat products were sound and wholesome would be issued by a USDA inspector and filed with the U.S. Customs Service before the products were allowed to be exported from the country. The new procedures allow a vessel to depart if the shipper, shipper's agent, or the vessel's agent provides a signed statement to the Customs Service briefly describing the exported product. The statement must be filed within 4 business days after the vessel's departure, a time interval consistent with Customs Service regulations. The statement must include the export certificate number, which is also stamped on the container holding the certified product.

Hours Expanded for Meat and Poultry Plants--USDA allowed qualified meat and poultry processing plants operating under the Total Quality Control (TQC) inspection system to expand their hours of operation from 8 to 12 hours, beginning October 14. Under the new rule, plants that have operated under approved TQC systems for at least 1 year could request expansion of daily 8-hour operating schedules to a maximum of 12 hours. During the additional 4 hours of operation, plants can produce and transport products without an inspector present in the plant. Previously, plants could produce, but not ship, products after the 8-hour shift.

Animal Drug Safety Review--On October 31, the Codex Committee on Residues of Veterinary Drugs in Food released a list of seven animal drugs for which the committee recommends international scientific review in order to reach agreement on allowable level of residues from the drugs in foods. The list includes growth-promoting hormones, the antibiotic chloramphenicol, sulfa drugs, and four other classes of drugs. In compiling the list, the Committee considered any substance administered to agricultural animals, including hormones and externally applied pesticides, that could leave a residue in food products such as meat, milk, eggs, or fish. The Committee was recently established by the Codex Alimentarius Commission, an international group of experts who work toward the adoption of common food standards to protect consumers and promote fair trade. Copies of the Committee's report are available from FGIS Information Office, Room 1160-S, USDA, Washington, DC, 20250.

DAIRY

Whole-Herd Buyout Revised--On May 20, USDA solicited requests from participating dairy farmers to shift the scheduled slaughter of their herds from the program's first contracted disposal period (April 1 - August 31, 1986) to its second (September 1, 1986 - February 28, 1987) or third (March 1 - August 31, 1987). Producers who wanted to modify their contracts had to contact their county ASCS office by May 30. USDA modified the dairy termination program as a result of an agreement reached with the National Cattlemen's Association and other beef-industry interests on April 30. USDA announced on June 13 that a total of 1,140 of the 9,503 program participants who were going to dispose of their dairy cattle in the first period requested modification of their contracts to allow them to dispose of their cattle in a later period. Producers had until June 30 to sign the modified contract to make the changes effective.

Provisions were announced by Secretary Lyng on July 11 to give producers options beyond the 45-day limitation to export dairy cattle disposed of under the whole-herd buyout. If a producer needs only a few days past the original 45-day limitation between time of sale and when the cattle had to be exported, an additional period of up to 45 days will be granted upon application through the producer's county ASCS office. If more time is necessary, the program participant and the exporter must sign an export addendum to the original dairy termination program contract. The addendum must be completed before the end of the producer's contract disposal period and before the dairy cattle included in the addendum are moved from the producer's farm. In no case will any extensions be granted beyond September 30, 1987.

The following table summarizes cattle slaughtered, meat purchased, and cattle exported to date under the buyout program.

Week Ending 1986	Cattle Slaughtered (Number) 1/	Meat Purchased (Pounds)	Cattle Reported For Export 2/ (Number)
April 19		5,762,880	
26	259,700 3/	16,046,016	
May 3	36,300	17,530,200	2,000
10	36,900	18,929,804	-
17	33,500	10,729,480	-
24	31,500	10,274,308	1,878
31	24,900	11,724,688	2,744
June 7	24,200	29,879,452	1,719
14	24,700	15,957,760	1,962
21	24,100	11,884,264	1,472
28	25,000	10,229,936	2,163
July 5	20,900	10,628,692	474
12	26,200	10,553,116	1,917
19	24,700	19,040,000	2,634
26	24,500	20,360,000	1,445
Aug 2	25,900	27,898,000	2,267
9	21,900	6,720,000	2,395
16	24,700	10,880,000	836
23	24,300	11,280,000	3,550
30	23,300	--	1,624
Sept 6	13,300	12,680,000	1,038
13	12,900	--	629
20	12,600	8,000,000	1,176
27	13,700	—	1,188
Oct 4	11,700	306,000	1,244
11	10,400	241,250	648
18	11,500	--	1,032
25	9,600	241,250	1,108
Total	831,900	297,770,096	39,143

1/ Includes all cows, heifers and calves under the DTP
2/ Preliminary
3/ Estimated for April 1 - April 26

Milk Marketing Orders--USDA has issued three interim final rules amending the location adjustment provisions in several Federal milk marketing orders. The amendments modify the plant location adjustment provisions under the orders to conform with increased Class I price differentials mandated by the Food Security Act of 1985. The marketing orders affected under the decision issued June 6 are Upper Florida, Tampa Bay, Southeastern Florida, Georgia, Tennessee Valley, Greater Louisiana, Alabama-West Florida, New Orleans-

Mississippi, Nashville, Paducah, and Louisville-Lexington-Evansville. The revised adjustments reflect a north-to-south price surface that increases at a rate of 2.5 cents per hundredweight (cwt) per 10 miles from the plants. The rule issued on July 9 amended the Southern Illinois, Ohio Valley, Indiana, and Central Illinois orders. The new adjustments reflect a price surface increase of 2 cents per cwt per 10 miles. The decision released on July 16 amended the location adjustment provisions in the Greater Kansas City, Southwest Plains, Central Arkansas, and Texas marketing orders. The adjustments reflect a north-to-south price surface that generally increases 3 cents per cwt per 10 miles. Currently, the orders provide for adjustments of 1.5 cents per 10 miles. USDA will conduct a poll of the affected cooperative associations to determine their support for the amendments.

<u>Casein</u>--On May 23, the CCC sold 385,198 pounds of nonfat dry milk for conversion into casein or caseinates. Schreiber Foods, Inc., of Green Bay, Wisconsin, bought 99,900 pounds at 18 cents per pound and Mid American Dairymen, Inc., of Arden Hills, Minnesota, bought 285,298 pounds at 20 cents per pound. The Food Security Act of 1985 requires the CCC to offer, on a competitive bid basis, at least 1 million pounds of nonfat dry milk annually for conversion into casein.

<u>Dairy Indemnity Payments</u>--USDA began mailing indemnity payments on July 11 to dairy producers whose milk was removed from the market because their herds were contaminated by the pesticide heptachlor. Payments to affected dairy processors began a few weeks later. The supplemental appropriations legislation signed into law by President Reagan on July 2 earmarked $8 million for these indemnity payments. Heptachlor-contaminated feed sold to some dairy producers in Arkansas, Oklahoma, and Missouri resulted in the contamination of milk. Dairy herds fell into three categories. Some producers had their herds quarantined and were not allowed to market milk for a brief period until it was determined that the milk from the herd was not contaminated. Herds with low levels of contamination were quarantined for a longer period; producers were allowed to resume marketing of milk after the level of contamination was reduced to an acceptable level. Others, with herds more seriously contaminated, are still not permitted to market their milk. A quarantine can last anywhere from a few weeks to as long as a year or more, depending on the initial level of contamination. Payments to dairy producers cover losses for the amount of milk that is required to be dumped. Indemnity payments to dairy processors are for the market value of milk and milk products destroyed, minus any salvage value.

<u>National Commission on Dairy Policy</u>--On September 29, Secretary Lyng announced the appointment of 18 dairy farmers to the National Commission on Dairy Policy to study the dairy price support program and the effects of new technologies. Congress authorized the establishment of the Commission under provisions of the Food Security Act of 1985. Their findings and recommendations will be reported to the Secretary and Congress to help determine the future operation of the Federal price support program for milk. The Commission will be disbanded 30 days after submission of its report, which is due on March 31, 1987.

NATURAL RESOURCES

Conservation Reserve--USDA accepted 3,000,681 acres of highly erodible cropland on 22,863 farms into the 1986 Conservation Reserve Program (CRP). During the May 5-16 signup, farmers on 34,157 farms submitted bids for a total of 4,646,524 acres. The accepted bids ranged up to $90 per acre, with an average of $44.23. During the first signup period, March 3-14, USDA accepted bids to enter 838,356 acres on 10,307 farms into the program. Bids on that sign-up also ranged up to $90 per acre, with an average of $41.82.

On July 24, USDA announced that several million more acres of highly erodible cropland may be eligible for the 1987 CRP. If a field is eroding at a rate of at least two times the soil-loss tolerance level and that field has a gully problem based on an onsite inspection, then the field is eligible for the conservation reserve. Other land eligibility requirements for the 1987 CRP remain the same as those used in the 1986 program. Eligible lands are those in classes II through V eroding at a rate in excess of three times the soil-loss tolerance level and all lands in classes VI through VIII.

USDA accepted 5,091,618 more acres of highly erodible cropland into the 1987 CRP during the signup held August 4-15. Producers on 45,081 farms submitted bids for a total of 6,420,964 acres. The accepted bids ranged up to $90 per acre with an average of $46.94 per acre. Farmland signed up to date totals 8,930,655 acres.

Conservation Compliance, Sodbuster, and Swampbuster Rules--USDA released interim rules on June 25 to implement sections of the Food Security Act of 1985 designed to remove inconsistencies between soil conservation goals and traditional farm commodity programs. Producers who fail to meet the interim rules will not be eligible for commodity price support and other program payments, disaster payments, crop insurance, FmHA loans, farm storage facility loans, and other farm program benefits.

With regard to highly erodible land, farmers will have a grace period to implement a conservation plan on land that was cultivated in any of the years 1981-1985. Many farmers will be able to develop and apply a conservation plan that will allow them to plant highly erodible land to grasses or trees, either on their own or in conjunction with the Conservation Reserve Program. Before January 1, 1990, or until 2 years after the Soil Conservation Service (SCS) prepares soil maps for a particular area, producers will not lose their eligibility for farm program benefits.

Farmers who cultivated highly erodible land or converted wetlands after December 23, 1985, and planted a crop before the interim rule was published will remain eligible for USDA program benefits for the 1986 crop year. To retain eligibility for subsequent crop years, however, the farmer must apply an approved conservation system on the highly erodible land. With regard to wetlands converted after December 23, 1985, the farmer cannot, except under limited circumstances, produce agricultural commodities on such lands after June 25 and retain eligibility for farm program benefits.

Windbreak Symposium--The latest developments in the research, design, and establishment of windbreaks for conservation were highlighted at the first International Symposium on Windbreak Technology, held in Lincoln, Nebraska,

June 23-27. SCS sponsored the symposium jointly with several private and public agencies and groups. More than 375 people attended, including 100 speakers from 14 countries. Two symposium publications are available: abstracts of the symposium papers, compiled in a proceedings, for $7; and a bibliography of publications dealing with windbreaks, for $15. A textbook to be developed from selected symposium presentations will be available by January 1987 at a cost of $45. Address all requests for these publications to: International Windbreak Symposium, 101 Plant Industry, University of Nebraska-Lincoln, Lincoln, Neb. 68583-0814.

Renewable Resource Program--On September 22, USDA announced that it is implementing a new program which sets forth a long term plan for Forest Service programs to meet the nation's natural resource needs. The 1985 Recommended Renewal Resources Program was designed and is to be implemented as required by the Forest and Rangeland Renewable Resources Planning Act of 1974. The program will provide Congress and the executive branch with a framework to make decisions on Forest Service management of renewable resources, cooperative forestry, and research. Completion of the 1985 program was delayed until mid-1986 to allow for consideration of administrative and congressional actions. The 1985 document is the third developed at congressional direction, which requires a program for the Forest Service every 5 years and an assessment of renewable resources on all public and private forests and rangelands every 10 years.

PEST CONTROL

Areas Quarantined for Gypsy Moth--On May 7, USDA announced that new areas are being regulated to control the spread of gypsy moths, a destructive pest of forest, shade, and ornamental trees. Areas with low-level infestations are designated low-risk; areas with actual defoliation losses or an infestation rate of 50 or more egg masses per acre are designated high-risk. Areas previously designated low-risk in Delaware, Maine, Maryland, Michigan, and Virginia are now considered high-risk areas. Some parts of Oregon that had been unregulated are also being rated as high-risk. Previously unregulated areas in Illinois, Indiana, Maine, Minnesota, Ohio, Oregon, and Wisconsin are being designated as low-risk areas. The quarantine is being lifted from portions of Michigan and Washington. Regulated items--such as recreational vehicles and outdoor household goods--may not be moved legally from high-risk to nonregulated areas unless they are inspected and treated for gypsy moth egg masses or other life stages.

Grasshopper Control--On June 10, USDA asked the public for comments on the grasshopper control program for next year. The Department will consider these comments in preparing a new environmental impact statement for the 1987 Rangeland Grasshopper Cooperative Management Program. Before the statement is written, the public and Federal, State, and local agencies have the opportunity to discuss significant issues affecting next year's treatment program. The new impact statement will address the effect on the environment of several treatment alternatives and the rationale for the preferred alternative. The treatment alternative chosen by USDA's Animal and Plant Health Inspection Service (APHIS) for 1986 was "integrated pest management," which included the use of pesticides as well as Nosema locustae, a protozoan used as a biological agent to control grasshoppers and

Mormon crickets. APHIS works with Western States, Federal land managers, and landowners to control grasshoppers and Mormon crickets on Federal, State, and private land. The agency uses surveys to determine where economically damaging infestations are likely to occur and, upon request, conducts treatments to control them. Last year, 13.9 million acres in 17 Western States were treated at a cost of $21.5 million.

Witchweed Regulations--USDA lifted witchweed quarantine restrictions June 13 from Onslow County, N.C. and Darlington County, S.C., and parts of other counties in the Carolinas. More than 56,000 acres were released from quarantine, while about 3,000 acres were added to the quarantine area. Part or all of 18 North Carolina and five South Carolina counties are now under quarantine. Witchweed is a parasitic foreign weed that infests corn and sorghum and is found in the United States only in parts of North and South Carolina. The quarantine regulates the movement of soil, plants, equipment, and other possible carriers of witchweed from affected areas. A quarantined area can be as small as an individual farm or as large as an entire county.

Oriental Fruit Fly--Effective June 14, fresh fruits and vegetables can again be moved interstate from areas of California's Los Angeles, Orange, and Santa Clara counties that were quarantined last fall to prevent the spread of the oriental fruit fly. USDA officials imposed the quarantine after oriental fruit fly adults and larvae were found in mainly residential areas in the three counties. On October 1, however, USDA issued emergency quarantine regulations for portions of Riverside and San Bernardino counties in California, again to restrict the spread of the oriental fruit fly. The regulations prohibit the interstate movement of fruits, vegetables, and nuts from quarantined areas unless they are accompanied by a USDA certificate or limited permit.

Genetically Engineered Plant Pests--USDA proposed on June 20 establishing regulations governing genetically engineered organisms or products that are either plant pests or believed to be plant pests. The rule would set up a list of known pests groups. If the donor, recipient, or vector of a genetically engineered organism or product comes from a known pest group, it would be a regulated article and would require a permit before it could be brought into the United States, moved across State lines, or released into the environment.

Citrus Canker--On July 3, USDA announced that it is providing Florida with $250,000 in Federal funds to assist with survey and regulatory activities needed to contain a new outbreak of citrus canker. This outbreak is caused by a particularly virulent strain of citrus canker not previously found in Florida. It has been characterized as the "A" or "Asiatic" strain of canker. There is no known cure for citrus canker, a bacterial disease that affects only citrus trees. Citrus canker was found in Florida in August 1984.

USDA proposed on September 10 that plants of some citrus species used as houseplants (e.g. calamondin and kumquat) be permitted to move interstate from Florida to States or territories where citrus is not produced commercially, providing certain safeguards are met. The interstate shipment of citrus plants from Florida has been restricted since September 1984 to prevent the spread of citrus canker. Under the proposal, plants shipped

interstate from the quarantined areas would have to be accompanied by a limited permit and would have to originate from a greenhouse or nursery that is free of the disease and that has not received any exposed material.

Imported Fire Ants--USDA expanded regulated areas in Alabama, Arkansas, Georgia, Mississippi, and South Carolina on July 28 to prevent the spread of imported fire ants. The ants can sting people and animals and interfere with farming operations and other outdoor activities. To prevent the artificial spread of this pest, regulations restrict the movement of specified articles including soil (except packaged potting soil); plants with soil on the roots, except for home-grown houseplants; sod; hay and straw, unless used for packing or bedding; and used, mechanized soil-moving equipment that has not been cleaned of loose soil.

Golden Nematode--On August 22, USDA lifted quarantine restrictions that were imposed to prevent spread of the golden nematode, a potato pest, from Yates County, N.Y. Surveys show the pest has been eliminated from that county. In the United States, the golden nematode is found only on Long Island and in parts of upstate New York. A State-Federal program has been working to control or eliminate the pest through surveys, regulations, and development of resistant varieties. Quarantine restrictions prohibit movement of potatoes, soil, and other items that could spread the pest, unless they are treated to destroy it.

FINANCE

CCC Interest Rates--Commodity loans disbursed by the CCC during the last six months carried interest rates that ranged from 6-3/4 to 5-3/4 percent. The rate in May and June was 6-1/2 percent. It increased to 6-3/4 percent in July and then decreased the next three months--6-3/8 in August, 6-1/8 in September, and 5-3/4 in October. The monthly rates reflect the interest charged CCC by the U.S. Treasury.

FmHA Interest Rates Lowered--The Farmers Home Administration (FmHA) lowered the interest rates on its farm program loans on May 1 and again on June 1. The decreasing rates reflect the reduced cost of money to the Federal government. The current interest rates for farm operating and farm ownership loans are 8.00 percent and 8.25 percent, respectively, down from the May rates of 8.625 and 9.25 percent. Limited resource loans for operating purposes were lowered from the May rate of 5.6 percent to 5 percent, the lowest rate permitted by law. Farm ownership limited resource loans were already at the 5 percent level. Soil and water loans and Indian Land Acquisition loans were reduced first to 9.25 percent, then to 8.25 percent.

Rural Housing Preservation Program--FmHA accepted applications from June 12 to July 28 for grants to help repair and rehabilitate homes for very-low and low-income rural homeowners. Grants totaling more than $19 million will be given to qualified public and private nonprofit organizations. The applicants had to demonstrate a need for home repair and rehabilitation in their service area; an acceptable plan for selecting the individual recipients and assuring the quality of work performed; support for the program by the local government; and sources of additional support, if any, to supplement the grant funds.

Interest Buydown Program--On August 25, USDA issued new regulations to encourage commercial lenders to make more loans available to farmers while giving them easier repayment terms. The regulations permit lenders to use balloon installments when they make loans guaranteed by FmHA under the interest buydown program. A loan with a balloon installment lets borrowers make regular, usually smaller payments over the life of a loan with a large amount--a balloon--remaining to be paid at the end of the repayment period. The interest buydown program can lower a borrower's interest rate as much as four percentage points. For borrowers who would not have sufficient cash-flow at the lender's regular interest rates, lenders may reduce the interest rate to help the borrower's farming operation show a positive cash flow. FmHA will then reimburse the lender for one-half the cost of any interest rate reduction, up to a maximum of two percentage points.

Clear Title Rules--In August USDA issued final Clear Title rules required by the Food Security Act of 1985. Beginning December 24, 1986, purchasers will be allowed to take clear title to farm products unless they are notified of an existing lien. Each state decides for itself whether to establish a notification system. However, unless lenders notify potential buyers or States develop a central notification system, buyers would take clear title to farm products even though a lien exists, just as with other products under provisions of the Uniform Commercial Code.

To date, USDA has certified four State central filing systems, one way by which buyers are notified of existing liens. On September 12, Montana was the first State to have its filing system certified for all farm products produced in the State. Mississippi's filing system was certified on September 22. A lender will pay $5 to list a lien and $2 for each additional debtor. The system provides for a $500 annual registration fee for each specific product. USDA certified Idaho's central filing system on September 25. Again, lenders will pay $5 to list a lien and $2 for each additional debtor. Registered buyers, commission merchants, and selling agents will pay an annual $30 registration fee, with additional fees charged for each product master list. Utah's filing system was certified on October 23. Lenders will pay a $10 fee to list a lien, plus $10 for each change. Registered buyers, merchants, or agents can receive the list for an annual fee of $25 for microfiche or $600 for hardcopy.

Sale of FmHA Loans--On September 24, USDA selected Manufacturers Hanover Trust Company to serve as a financial advisor to FmHA. Manufacturers Hanover will assist the agency in planning and carrying out the sale of about $1 billion in loans from the Rural Development Insurance Fund, a revolving fund used to finance loans to rural communities for water and sewer systems. The 1986 fiscal year budget resolution, passed in April, requires FmHA to sell enough loans from the Rural Development Fund to provide $555 million toward deficit reduction.

NUTRITION

Cheese Distribution System Revised--On May 13, USDA announced that States may request additional supplies of surplus cheese for distribution to low-income households under the Food and Nutrition Service's (FNS) revised cheese allocation system. FNS administers the Temporary Emergency Food

Assistance Program, which offers States quarterly allotments of surplus cheese and other commodities based on a formula using poverty levels and unemployment statistics. Previously, when some States did not order their full allotments and other States requested more, reallocations were handled informally on a regional basis. The revised system formalizes reallocations on a national basis. As of July 1, when States do not request their full allotments, the remainder will be entered into a national pool. States requesting additional cheese will be able to receive a share of the pool, based on the same factors used in the initial distribution.

Bonus Flour for Schools--Beginning May 20, school lunch and breakfast programs are able to receive unlimited amounts of flour. States may receive an unlimited amount of flour for their schools once they use the amount of flour they traditionally receive. The additional, or bonus, flour will not be counted as part of the States' regular allotment of USDA donated foods. Last year, schools ordered over 180 million pounds of USDA flour valued at $22 million. Much of it is used in school kitchens to make bread, rolls, and other bakery items.

Lower Nitrite Levels in Bacon--Effective July 16, USDA permitted new methods of processing bacon that use less nitrite than previously required. The rule allows plants with USDA-approved quality control programs to reduce sodium nitrite levels in bacon from 120 parts per million (ppm) to 100 ppm. Nitrite is used to cure or preserve meats and to help prevent botulism, a rare but serious food poisoning. The rule also permits a new method for making bacon--using lactic acid starter cultures and sugar in a curing solution with 40 to 80 ppm sodium nitrite--for packers with approved quality control programs. The harmless bacterial cultures help protect against the growth of organisms that cause botulism. The rule retains the required 120 ppm level for plants not using the new alternative procedures. The new procedures are designed to reduce the likelihood of nitrosamine formation. Nitrosamines can form at high frying temperatures when nitrite in bacon cures combines with naturally occurring amines in the meat. Some nitrosamines have been shown to be carcinogenic in laboratory animals. The rule applies only to pumped bacon--the most common type produced--not to dry-cured bacon.

Impact of Free Food Programs--Each 100 pounds of cheese donated under Federal food assistance programs causes commercial cheese sales to decline by about 40 pounds and each 100 pounds of butter donated causes margarine sales to decline by about 80 pounds, according to a USDA report released on July 22. By law, USDA is required to study the effect of food distributions on commercial markets. Since cheese and butter account for 80 to 85 percent of the dollar value of food distributed, the study focused on those commodities. Based on the 40 percent rate of displacement found in cheese distributions, the report concludes that approximately $230 million worth of additional cheese was purchased by the government under the Dairy Price Support Program because of the distributions. Margarine sales decreased by about 95 million pounds because of butter distribution. Since 1982, $3.4 billion worth of food has been given to states for distribution to low-income families. Current annual distribution levels are:

Commodity	Quantity Per Year (Million Pounds)
Cheese	420
Butter	72
Nonfat Dry Milk	96
Wheat Flour	144
Cornmeal	48
Milled Rice	180
Honey	96

Delivery System for Donated Foods--On August 18, USDA proposed streamlining the delivery of surplus food to schools, charitable institutions, and other eligible participants, by replacing the two distribution systems now in operation with a more efficient alternative. Commodities currently distributed include cheese, nonfat dry milk, butter, and honey. To make these items more readily usable, FNS channels the donated foods to private companies that produce and sell products such as pizza to agencies eligible to receive government commodities. Under the proposal, the National Inventory System, which is being tested this year in six States, would replace processing systems now operated both by States and FNS. Processors approved by FNS would agree to reduce prices by the value of the donated food and to sell the discounted items only to eligible agencies. They could then apply for State approval to sell products within a State. States would supply a list of approved processors and products to schools and other eligible agencies. FNS would direct the food to the processors and monitor program management.

Restructured Meat Products--Beginning September 17, USDA permitted meat processors to use a combination of dry substances to create a binder for restructured meat products. Restructuring is the process of taking flaked, sectioned, or chunked meat and binding the pieces to resemble intact cuts of meat. The final products take on a variety of shapes such as nuggets, roasts, loaves, and steaks. The use of binders will expand marketing of restructured products because they can be sold as fresh. The binder is formed by combining sodium alginate, calcium carbonate, lactic acid, and calcium lactate. When these compounds are added to raw meat pieces, they react to form calcium alginate, the compound that holds the pieces together. All of the substances have been approved by the Food and Drug Administration (FDA) as "generally recognized as safe" (GRAS). The name of the binder must be included on the label next to the product's name.

Central Kitchens from Routine Inspection--Starting September 22, certain restaurant central kitchens were exempted from routine inspection by USDA. The new regulations allowing the exemptions implement a law passed by Congress in 1984. Eligible restaurant central kitchens--currently about 40--are those that transport ready-to-eat meat and poultry products directly to their satellite restaurants or vending machines for serving to consumers. Products may not be stored, sold, or otherwise change hands between the central kitchen and its outlets, and both the central kitchen and the outlets must be owned or operated by the same persons, firms, or corporations.

Substances in Fresh Pork--USDA issued an interim final rule, effective September 22, that permits the controlled use of substances that maintain the color of fresh pork cuts for the duration of their normal, safe shelf-life. Fresh pork cuts lose their color long before they become unsafe to eat, and some consumers find the off-color less desirable. Under the rule, levels of ascorbic acid, erythorbic acid, and sodium ascorbate--when used singly or in combination--may not exceed either 500 parts per million or 1.8 milligrams per square inch of surface area. Citric acid and sodium citrate may not exceed 250 parts per million or 0.9 milligrams per square inch of surface area when used singly or in combination. Only processors operating under a USDA-approved partial quality control program will be allowed to use the substances. The product labels must identify the added substances and the reason for their use.

Food Stamp Benefits Adjusted--Food stamp benefits increased slightly October 1 as USDA updated allotment levels for changes in the cost of food. USDA bases food stamp benefits on the cost of foods in the Thrift Food Plan. The new allotments reflect the June 1986 cost of buying food under the plan. The maximum monthly food stamp allotments, effective from October 1, 1986, through September 30, 1987, in the continental U.S. are as follows:

Household Size	Allotment
1	$ 81
2	149
3	214
4	271
5	322
6	387
7	428
8	489
Each additional member add	$61

The deductions used in calculating eligibility and the amount of food stamps a household receives are also indexed for inflation. The standard deduction, which is available to all households, rose on October 1 from $98 to $99 for the continental U.S. The maximum deduction available to certain households with high shelter costs increased from $147 to $149.

Meat Fat Shortening Containers--On October 2, USDA proposed removeing its restriction on the size of containers for artificially flavored and colored meat fat shortening. This action would make USDA policy consistent with that of FDA, which does not restrict the container size for vegetable shortening. The change would also allow meat processors to expand the market for flavored and colored meat fat shortening to commercial customers who prefer buying the product in large quantities. Current regulations limit the container size to three pounds.

Labeling Requirements for Meat with Barbecue Sauce--Effective October 9, USDA changed its labeling requirements for pork and beef products packed in barbecue sauce to make the requirements consistent with those for labeling poultry and nonmeat products packed in barbecue sauce. This action makes

USDA's labeling consistent with FDA regulations, which also govern nonmeat and poultry products. "Pork with barbecue sauce" and "beef with barbecue sauce" were the only products whose labels had to prominently state that the sauce includes thickeners, binders, and similar substances; for example, "Pork with Barbecue Sauce--Cereal Added." The new rule allows processors to remove the prominent labeling statements identifying these binding and thickening ingredients. Processors must continue, however, to identify in the ingredient statement any thickeners, binders, and similar substances that are present in products containing barbecue sauce.

Surface Application of Vitamin E for Bacon--Starting November 6, USDA began allowing bacon processors to apply vitamin E (alpha-tocopheral) to the surface of bacon to prevent nitrosamine formation. USDA approved vitamin E last year for injecting or 'pumping' into pork bellies during bacon production. At the same time, USDA solicited available information on the suitability of topical use of vitamin E during the production process. Data submitted show that surface applications of vitamin E--dipping, spraying and brushing--are functional and suitable, so the Department is now approving that method for pump-cured bacon, which is the most common type produced.

Flavor Enhancer in Meat Products--USDA will allow calcium lactate to be used as a flavor enhancer in some sausages and meat sticks, effective November 26. Calcium lactate is generally recognized as safe as a food additive by FDA and is already approved by USDA for use as a binder in some meat products. The new rule will allow meat processors to add calcium lactate at levels not to exceed 0.6 percent in cooked semi-dry and dry sausages, imitation sausages, and meat sticks.

INTERNATIONAL

U.S.-Canadian Trade Talks--In June, U.S. and Canadian agricultural leaders held meetings on agricultural trade in Washington, D.C. Secretary of Agriculture Richard Lyng and Canadian Minister of Agriculture John Wise led the discussions which covered bilateral agricultural trade issues. In 1984, the United States and Canada agreed to schedule ministerial-level meetings twice a year to discuss agricultural trade between the two countries.

Section 416 Availability--On July 17, Secretary Lyng announced that 650,000 metric tons of agricultural commodities are available for donation overseas under Section 416 of the Agricultural Act of 1949. Lyng said that 500,000 tons of grains and oilseeds and 150,000 tons of dairy products from the CCC can be shipped to needy countries. Approximately 140,000 metric tons have already been obligated to recipient countries. Section 416 authorizes the donation of surplus commodities owned by the CCC to needy people overseas. It also provides for distribution of commodities donated through voluntary agencies. The commodities available for donation are wheat, barley, corn, sorghum, rice, soybeans, nonfat dry milk, cheese, butter, and butteroil. These commodities may be donated to private voluntary organizations, international organizations, and governments of developing, friendly countries.

New Export Credit Guarantee Program--USDA announced a new export credit guarantee program on July 25, which is being used to promote exports of U.S. dairy cattle. The new Intermediate Export Credit Guarantee Program (GSM-

103) will help promote exports of U.S. agricultural commodities by enabling exporters to sell commodities on credit terms of up to 10 years. The credit would be extended by the exporters or U.S. financial institutions and would be guaranteed by the CCC. This guarantee protects exporters or lenders against nonpayment by the importers' banks.

On August 12, the CCC--acting under the new credit program--made available $50 million in guarantees for sales of U.S. breeding livestock (cattle, swine, sheep, goats, and horses) to Mexico. To be eligible, the credit terms had to be more than 3 but less than 7 years. All sales had to be registered by September 30, 1986, and export completed by December 31, 1986.

P.L. 480 Allocations--On October 10, USDA released tentative FY1987 allocations for programs under Titles I and III of Public Law 480. The four largest allocations are for Bangladesh, Egypt, Pakistan, and Sudan. Title I is a concessional sales program designed to promote U.S. agricultural exports and foster economic development in recipient countries. The program provides low-interest loans of up to 40 years, with a grace period on loan repayment of up to 10 years. Title III provides for the forgiveness of the debt incurred under Title I, based on accomplishments in food for devlopment programs and projects agreed upon by the United States and recipient countries.

Export Enhancement Program--USDA has made several sales offers in the last 6 months to various countries under its Export Enhancement Program. Sales are made at competitive world prices, but U.S. exporters receive gratis CCC commodities to help them compete in the country's markets. The following offers have been made:

Date	Country	Commodity
May 7	Saudi Arabia	500,000 tons of barley
May 8	Turkey	500,000 metric tons of wheat
May 15	Zaire	40,000 tons of wheat and 30,000 tons of wheat flour
May 16	Sri Lanka	125,000 tons of wheat
May 29	Algeria	5,000 head of dairy cattle
May 29	Tunisia	4,000 head of dairy cattle
June 17	Israel	200,000 tons of barley
June 17	Jordan	60,000 tons of barley
June 18	Egypt	5,000 tons of frozen poultry
June 20	Egypt	500,000 metric tons of wheat
June 24	Yugoslavia	200,000 tons of wheat
June 24	Jordan	75,000 tons of wheat
July 8	India	25,000 tons of vegetable oil
July 8	Egypt	15,000 tons of frozen poultry
July 17	Senegal	100,000 tons of wheat
July 28	Hong Kong	44 million eggs
July 28	Canary Islands (Spain)	3,000 head of dairy cattle
July 29	Egypt	52,000 metric tons of wheat
Aug. 6	Egypt	30,000 tons of semolina
Aug. 6	Saudi Arabia	250,000 metric tons of barley
Aug. 6	Egypt	600,000 metric tons of wheat flour
Aug. 8	Canary Islands	100,000 tons of wheat

Date	Country	Commodity
Aug. 22	Tunisia	800,000 metric tons of wheat
Aug. 26	Cyprus	150,000 tons of barley
Sept. 4	Venezuela	100,000 metric tons of barley malt
Sept. 12	Egypt	10,000 head of dairy cattle
Sept. 17	Saudi Arabia	300,000 metric tons of barley
Sept. 24	Romania	200,000 metric tons of barley
Oct. 8	Yugoslavia	500,000 metric tons of wheat
Oct. 8	Saudi Arabia	200,000 metric tons of barley
Oct. 8	Egypt	1,000,000 metric tons of wheat
Oct. 14	Cameroon	20,000 metric tons of wheat flour
Oct. 20	Zaire	40,000 metric tons of wheat
Oct. 20	Philippines	60,000 metric tons of barley malt
Oct. 30	Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates	1,500 head of dairy cattle
Oct. 30	Dominican Republic	1,500 metric tons of frozen poultry

Targeted Export Promotion Programs--Several export promotion programs have been announced by USDA in the last 6 months, in accordance with the Food Security Act of 1985. The law requires USDA to counter or offset adverse effects on U.S. agricultural exports due to subsidies, import quotas, or unfair trade practices of foreign countries. The following programs were announced:

Product	Targeted Country	Reason	Cost
Wood Products	Japan	Counter high tariffs for processed wood products and restrictive product standards	$1.95 million
Dried prunes	Western Europe	Expand consumption of dried prunes	$4 million
Florida citrus	Pacific Rim (Japan, Korea, Hong Kong, Singapore, Taiwan) and Western Europe	Offset the adverse impact on exports from European Community (EC), Japanese and Korean trade policies	$4.6 million
Feed grains, soybean meal and dairy cattle	Algeria	Counter the adverse effects of EC export subsidies	$9 million
Poultry and eggs	Pacific Rim and Middle East	Expand consumption of poultry and eggs	$6 million

Product	Targeted Country	Reason	Cost
Wheat	Developing Countries	Offset the adverse impact on exports from unfair trade practices, such as import quotas, levies, restrictive import licensing, and export subsidies	$1.1 million
Wood products	United Kingdom	Counter the adverse effects of unfair trade practices and inaccurate publicity about wood-frame houses	$653,000
Washington apples	United Kingdom, Taiwan, Hong Kong, Norway, Malaysia and Saudi Arabia	Offset EC subsidized exports to Scandinavia and Arab Penninsula	$1.4 million
California table grapes	Pacific Rim	Offset EC export subsidies	$350,000
Dry peas and lentils	EC, Columbia, and India	Counter the adverse impact of foreign subsidies and other unfair trade practices	$2.5 million
Walnuts	Western Europe, Japan, Australia, and Taiwan	Offset the adverse effects of a retaliatory increase in the import duty on U.S. walnuts by the EC	Additional $2 million
Feed grains	Countries which restrict access to U.S. commodities	Counter the adverse effects on exports from unfair trade practices, such as import quotas and levies	$2.1 million
Canned fruit	Pacific Rim and Middle East	Offset imports of subsidized products from the EC	$5.1 million
Wheat	Algeria and Egypt	Counter the adverse effects of export subsidies	$2 million

Product	Targeted Country	Reason	Cost
Fresh pears	Scandinavia, Pacific Rim and Arab Gulf	Offset the adverse impact of import restrictions in Latin America and Scandinavia	$300,000
Rice	EC, Middle East, Africa, Southeast Asia and Caribbean	Counter unfair trade practices, such as quotas and levies	$3.5 million
Wine	Pacific Rim and Western Europe	Offset the adverse impact of import restrictions in potential markets and export subsidies in the EC	$2.5 million
Processed foods	Japan, Korea, Singapore and Malaysia	Counter the adverse effects of import restrictions and EC export subsidies	$1.4 million
Processed foods	West Germany	Offset the adverse impact of EC import restrictions, such as variable charges and levies	$300,000
Edible peanuts	Western Europe	Conduct brand and generic promotion, and provide technical assistance in new product development	$4.5 million
Soybean Oil	EC	Increase consumer awareness of soybean oil and provide technical assistance to processors to insure high quality	$8.5 million
Pistachios	Japan, Hong Kong, Malaysia, Singapore and Taiwan	Offset the effects of Iran's pistachio production and export subsidies	$200,000
Cotton	Western Europe and Asia	Counter unfair trade practices of many U.S. competitors	$7 million

Product	Targeted Country	Reason	Cost
Pasta products	Caribbean	Offset the adverse impacts of foreign subsidies and other unfair trade practices	$2.1 million
High-value processed foods	Various countries	Counter the adverse effects of import restrictions and unfair competition from subsidized EC products	$3.2 million
Red meat	Japan and Hong Kong	Increase consumer demand	$7 million
Chocolate	Japan, Korea, Taiwan and EC	Offset import barriers	$2.5 million
Sunflower seeds and products	Japan, Mexico, Venezuela, and Portugal	Promote sunflower oil and provide technical assistance to processors	$3 million

GOVERNMENTAL ACTIONS

<u>New Deputy Secretary of Agriculture</u>--Peter C. Myers was sworn in June 4 as Deputy Secretary of Agriculture. Previously, Myers served as Assistant Secretary for Natural Resources and Environment from May 1985 to May 1986 and as Chief of the Soil Conservation Service from April 1982 until May 1985. Myers has a B.S. degree in agronomy and animal husbandry from the University of Wisconsin.

<u>USDA's Civil Rights Policies Examined</u>--On June 13, Deputy Secretary Myers instructed all Under and Assistant Secretaries to conduct a thorough assessment of the equal opportunity programs in each of their agencies. The action is in response to allegations of violations of equal opportunity and civil rights policies at USDA. Also, a strongly worded statement from Secretary Lyng condemning equal opportunity and civil rights violations was circulated to every USDA employee.

<u>Drought Aid</u>--Secretary Lyng announced on July 24 that USDA will assist drought-stricken farmers in the Southeast. The following actions were taken:

-- Haying and grazing of all crops is permitted on acreage set aside under Federal commodity programs, including cotton. Acreage designated to be put to a conserving use may be planted for winter pasture with fast-growing grasses or small grains for grazing.

-- Producers participating in the 1986 commodity programs will still receive deficiency payments on planted acreage, even though the crop is used for forage or not harvested at all. Participating producers who harvest their crops for forage will retain their acreage bases.

-- The Forestry Incentive Program cost-sharing assistance is available to re-establish stands of pine trees lost due to drought.

On August 1, the Secretary announced several additional programs to help farmers through the drought:

-- Over $1 billion worth of crops in the affected areas--including peanuts and tobacco--are covered by crop insurance.

-- Under the Feed Cost-Sharing Program, formerly known as the Emergency Feed Program, USDA shares with the producer half the cost of purchasing feed grains, including hay. USDA's contribution is limited to 5 cents per pound, feed grain equivalent. The cost-sharing payments will be made in generic certificates.

-- A nationwide, across-the-board 10 percent increase in 1986 advance deficiency payments for those who participated in the wheat, feed grains, cotton, and rice programs. The 1985 Farm Bill specifies that up to 50 percent of crop deficiency payments may be paid in advance. Previously, cotton and rice producers received 30 percent; producers of other program crops received 40 percent. All farmers, in every state, will receive an additional 10 percent in generic certificates.

-- Farmers in counties designated as disaster areas are eligible for additional assistance. Sections of Alabama, Delaware, Georgia, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, and Virginia were declared agricultural disaster areas. Under the Emergency Feed Assistance Program, eligible farmers may purchase CCC feed grains at 75 percent of the basic county loan rate. Under FmHA's emergency loan assistance program, family farmers who cannot obtain credit elsewhere are eligible for low-interest loans. The interest rate is 5 percent for loans up to $100,000, and 8 percent for loans above $100,000. Loan amounts are limited to the government's estimate of farmers' losses.

Biotechnology Guidelines--During September, USDA conducted three meetings around the country to describe its proposed biotechnology research guidelines to the public and obtain comments. The first meeting was held September 19 in San Francisco, California, the second was September 23 in St. Louis, Missouri, and the third was September 26 in Washington, D.C. At the meetings, USDA officials provided a general overview of the proposed research guidelines and then received comments on the guidelines' potential health, environmental, safety, and economic impacts.

Crop Price Series Changed to Market Year Average--On October 28, USDA's National Agricultural Statistics Service (NASS) will shift its major crop price series from a season-average to market-year basis, effective this year. The change will keep the series consistent with marketing year prices needed under the 1985 Food Security Act. The years are June-May for wheat, oats, and barley; September-August for corn, soybeans, and grain sorghum; and August-July for rice. The annual average prices will be based on actual marketings and receipts by farmers. The calculation method will be the same as that for the 5-month average market prices currently used to determine levels of deficiency payments. The marketing year average prices will be available at the end of the month following the close of the marketing year, considerably earlier than for season average prices.

Crop, Livestock Survey Programs Modified--Also on October 28, USDA announced that NASS will collect data for livestock inventories, on-farm grain stocks, and crop acreage and production through quarterly integrated surveys rather than individual surveys, starting next year. The new surveys will be on a multiple frame (area and list sample) probability basis and will be conducted between the 1st and 15th of March, June, September, and December, with the first of the month as the official reference date. The new series of surveys and reports is summarized below.

Survey Reference Date	Information Collected	Release Date	Proposed Report Title
January 1	Cattle inventory	Feb. 4, 1987	Cattle
	Sheep inventory	Feb. 9	Sheep and Goats
March 1	Hogs and pigs inventory	March 31, 1987	Hogs and Pigs
	On-farm grain stocks	March 31	Grain Stocks
	Acreage intentions	March 31	Prospective
June 1	Hogs and pigs inventory	June 30, 1987	Hogs and Pigs
	On-farm grain stocks	June 30	Grain Stocks
	Mid-year cattle inventory	June 30	Cattle
	Planted acreage	July 9	Crop Production
September 1	Hogs and pigs inventory	Sept. 30, 1987	Hogs and Pigs
	On-farm grain stocks	Sept. 30	Grain Stocks
	Small grain annual summary	Oct. 8	Crop Production
December 1	Hogs and pigs inventory	Jan. 5, 1988	Hogs and Pigs
	On-farm grain stocks	Jan. 14	Grain Stocks
	Annual crop summary	Jan. 14	Crop Production Annual
	Winter wheat seedings	Jan. 14	Winter Wheat

Outlook Conference--USDA's 63rd annual agricultural outlook conference, "Outlook '87," will be held December 2-4, 1986, at USDA headquarters in Washington, D.C. In addition to the outlook for 1987, conference speakers will focus on two themes: prospects for U.S. agriculture in the late 1980's and marketing farm commodities more effectively. A special session during the first afternoon of the conference will focus on global economic and agricultural trends and their impact on farmers, business, and farm programs for the balance of the 1980's. Other sessions will examine food prices, family economics, nutrition, the farm financial picture, and the rural economy. Main conference sessions can be heard nationwide by telephone callers who direct dial 900-410-5333 during the meetings. Callers will be charged 50 cents for the first minute and 35 cents for each additional minute. To receive conference information, call (202) 447-3050, or write Outlook Conference, Room 5143 South Building, USDA, Washington D.C. 20250.

AGRICULTURE - FOOD POLICY UPDATE: LEGISLATION

by Tom Fulton*

Garrison Diversion Unit Reformulation Act of 1986--(P.L.99-294)
This law implements recommendations made pursuant to Public Law 98-360.

National Food Bank Week, Designation--(P.L.99-317)
Law designating the week of May 18, 1986, through May 24, 1986, as 'National Food Bank Week.'

Hands Across America Day, Designation--(P.L.99-321)
A law designating May 25, 1986, as 'Hands Across America Day', for the purpose of helping people to help themselves, and commending United Support of Artists for Africa and all participants for their efforts toward combating domestic hunger with a 4,000 mile human chain from coast to coast.

National Agricultural Export Week, Designation--(P.L.99-341)
Law proclaiming June 15, 1986 through June 21, 1986, as 'National Agricultural Export Week.'

Housing and Community Development Programs, Temporary Extension--(P.L.99-345)
Law providing for the temporary extension of certain programs relating to housing and community development.

Urgent Supplemental Appropriations Act, 1986--(P.L.99-349)
A law making urgent supplemental appropriations for the fiscal year ending September 30, 1986.

Humboldt National Forest, Boundary Modification--(P.L.99-387)
A law modifing the boundary of the Humboldt National Forest in the State of Nevada.

U.S. Lands in Trust for the Reno Sparks Indian Colony, Declaration--(P.L.99-389)
A law declaring that the United States holds certain lands in trust for the Reno Sparks Indian Colony.

Rural Industrial Assistance Act of 1986--(P.L.99-409)
A law authorizing the Secretary of Agriculture to make grants for the purpose of establishing institutes of rural technology development.

Human Services Reauthorization Act of 1986; State Dependent Care Development Grants Act; Child Development Associate Scholarship Assistance Act of 1985--(P.L.99-425)
A law authorizing appropriations for fiscal years 1987, 1988, 1989, and 1990 to carry out the Head Start, Follow Through, dependent care, community services block grant, and community food and nutrition programs.

National Independent Retail Grocer Week, Designation--(P.L.99-437)
Law designating September, 1986, as "National Independent Retail Grocer Week."

Comprehensive Anti-Apartheid Act of 1986--(P.L.99-440)
A law prohibiting loans to, other investments in, and certain other activities with respect to, South Africa.

*Social Science Analyst, Food and Agricultural Policy Branch, NED, ERS.

Resolution Designating the Rose as the National Floral Emblem--(P.L.99-449)
A law designating the rose as the national floral emblem.

National Outreach to the Rural Disabled Day, Designation--(P.L.99-462)
Law designating October 4, 1986, as "National Outreach to lhe Rural Disabled Day."

Tennessee Wilderness Act of 1986--(P.L.99-490)
A law designating certain lands in the Cherokee National Forest in the State of Tennessee as wilderness areas.

Electric Consumers Protection Act of 1986--(P.L. 99-495)
A law amending the Federal Power Act to provide for more protection to electric consumers.

Resolution Making Continuing Appropriations for Fiscal Year 1987; Goldwater - Nichols Department of Defense Reorganization Act of 1986, Amendment; Omnibus Drug Supplemental Appropriations Act of 1987--(P.L.99-500)
A law making continuing appropriations for the fiscal year 1987.

Nebraska Wilderness Act of 1985--(P.L.99-504)
A law to establish the Pine Ridge National Recreation Area and Soldier Creek Wilderness in the State of Nebraska.

Omnibus Budget Reconciliation Act of 1986; Farm Credit Act Amendments of 1986; Petroleum Overcharge Distribution and Restitution Act of 1986; Conrail Privatization Act; Program Fraud Civil Remedies Act of 1986--(P.L.99-509)
A law to provide for reconciliation pursuant to Section 2 of the concurrent resolution on the budget for fiscal year 1987.

Tax Reform Act of 1986; Internal Revenue Code of 1986--(P.L.99-514)
A law to reform the internal revenue laws of the United States.

Huntley Project Irrigation District, Montana, Conveyance of Lands--(P.L.99-517)
A law to direct the Secretary of the Interior to convey certain lands, withdrawn by the Bureau of Reclamation for townsite purposes, to the Huntley Project Irrigatio District, Ballantine, Montana.

National Forest Ski Area Permit Act of 1986--(P.L. 99-522)
A law to establish a ski area permit system on national forest lands.

Special Foreign Assistance Act of 1986--(P.L.99-529)
A law to promote immunization and oral rehydration in developing countries, to promote democracy in Haiti, to protect tropical forests and biological diversity in developing countries, to authorize increased funding for the Child Survival Fund and for international narcotics control assistance.

Census, Title 13 U.S.C., Amendment--(P.L.99-544)
A law to amend Title 13, United States Code, to eliminate the requirement relating to the decennial censuses of drainage.

Federal Land Policy and Management Act of 1976, Amendment--(P.L.99-545)
A law to authorize the Secretary of Agriculture to issue permanent easements for water conveyance systems in order to resolve title claims arising under acts repealed by the Federal Land Policy and Management Act of 1976.

Small Reclamation Projects Act of 1956, Amendment; Federal Power Act, Amendment (P.L.99-546)
A law providing for the Coordinated Operation of the Central Valley Project and the State Water Project in California.

Domestic Volunteer Service Act Amendments of 1986--(P.L.99-551)
A law to extend and improve the Domestic Volunteer Service Act of 1973

Family Farmer Bankruptcy Act of 1986; Judiciary and Judicial Procedure, Title 28 U.S.C., Amendment--(P.L.99-554)
A law to amend Title 28 of the United States Code to provide for the appointment of additional bankruptcy judges, to provide for the appointment of U.S. trustees to serve in bankruptcy cases in judicial districts throughout the United States, to make certain changes with respect to the role of U.S. trustees in such cases.

Georgia Wilderness Act of 1986--(P.L.99-555)
A law to designate certain National Forest System lands in the State of Georgia to the National Wilderness Preservation System.

Sikes Act, Amendment--(P.L.99-561)
A law to authorize appropriations to carry out conservation programs on military reservations and public lands during fiscal years 1986, 1987, and 1988.

Omnibus Drug Enforcement, Education, and Control Act of 1986; International Narcotics Control Act of 1986; Defense Narcotics Act of 1986; Drug Smuggling Enforcement Act of 1986; Coast Guard Drug Interdiction and Law Enforcement Act of 1986; Comprehensive Money Laundering Prevention Act; Narcotics Control Trade Act; Drug Eradication Act of 1986; Designer Drug Enforcement Act of 1986; Narcotics Penalties and Enforcement Act of 1986; White House Conference on Drug Abuse and Control Act of 1986; Career Criminal Amendments Act of 1986; Drug and Alcohol Dependent Offenders Treatment Act of 1986; National Park Police Drug Enforcement Supplemental Authority Act; Drug Enforcement Enhancement Act of 1986; Transportation Drug Act of 1986; Drug Abuse Education and Prevention Act of 1986; Drug Abuse Prevention and Treatment Act of 1986; Federal Employee Substance Abuse Education and Treatment Act of 1986; Indian Alcohol and Substance Abuse Prevention and Treatment Act of 1986; U.S. Insular Areas Drug Abuse Act of 1986; National Antidrug Reorganization and Coordination Act; Money Laundering Control Act of 1986; Drug Possession Penalty Act of 1986; Juvenile Drug Trafficking Act of 1986; Department of Justice Assets Forfeiture Fund Amendments Act of 1986; Controlled Substance Analogue Enforcement Act of 1986; Continuing Drug Enterprises Act of 1986; Controlled Substances Import and Export Penalties Enhancement Act of 1986; Career Criminals Amendment Act of 1986; State and Local Law Enforcement Assistance Act of 1986; Freedom of Information Reform Act of 1986; Mail Order Drug Paraphernalia Control Act; White House Conference for a Drug Free America; Federal Drug Law Enforcement Agent Protection Act of 1986; National Drug Interdiction Improvement Act of 1986; Defense Drug Interdiction Assistance Act; Customs Enforcement Act of 1986; Maritime Drug Law Enforcement Prosecution Improvements Act of 1986; Alcohol and Drug Abuse Amendments of 1986; Drug-Free Schools and Communities Act of 1986; Ballistic Knife Prohibition Act of 1986; Homeless Eligibility Clarification Act; National Forest System Drug Control Act of 1986--(P.L.99-570)
A law to strengthen Federal efforts to encourage foreign cooperation in eradicating illicit drug crops and in halting international drug traffic, to improve enforcement of Federal drug laws and enhance interdiction of illicit drug shipments, to provide strong Federal leadership in establishing effective drug abuse prevention and education programs, to expand Federal support for drug abuse treatment and rehabilitation efforts.

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Compiled by R. G. F. Spitze and Tom Fulton

Allen, Thomas G., and Dennis A. Watkins. Economic Development and the Maine Cooperative Extension Service. MAES/ARE 377, 1985.

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Barrows, R. L., R. A. Luening, and M. J. Johnson. "Adjusting Agricultural Equalized Values for the Effects of Term and Conditions, Time and Zoning." Staff Paper No. 210.

Request a copy of this publication from Professor Richard Barrows, Department of Agricultural Economics, Taylor Hall, University of Wisconsin, Madison, WI 53706.

Becker, Geoffrey S. Farm Support Programs: Cost Considerations, September 1986, and Fundamentals of Domestic Commodity Price Support Programs, June 1986, and The Cost of Our Food, November 1985. Library of Congress, CRS-ENR Division, Washington, D.C. 20540.

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Blandford, David. "International Agricultural Trade from a Common Market Perspective." Staff Paper Number 85-25. 1985. Also, "Modeling the Linkage Between Domestic and International Markets." Staff Paper Number 86-24. 1986.

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